

Industrias Bachoco S.A.B. de C.V.

Form 20-F/A

July 02, 2009

Omits Note 21 to Item 18, Report of Independent Registered Public Accounting Firms, Item 15: "Controls and Procedures – Attestation Report of the Registered Public Accounting Firm" and the discussion of the reconciliation of Mexican FRS to US GAAP in Item 5: "Operating and Financial Review and Prospects", A. "Operating Results".

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F/A

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF  
THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2008

OR

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

OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-7480

INDUSTRIAS BACHOCO, S.A.B. DE C.V.  
(Exact name of Registrant as specified in its charter)

Bachoco Industries  
(Translation of Registrant's name into English)

The United Mexican States  
(Jurisdiction of incorporation  
or organization)

Avenida Tecnológico No. 401

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(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing twelve Series B Shares.	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding Shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Series B Capital Stock: 600,000,000 Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

We are submitting to the SEC a form 12b-25 related to the Item 5 “Operating and Financial Review and Prospects”, A. “Operating Results”, Reconciliation to U.S. GAAP included in this document and in Note 21 of our Consolidated Financial Statements.

If “Other has been checked in response to the previous question, indicate by check mark which financial statements item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 23 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.

Yes  No

#### EXPLANATORY NOTE

This annual report on Form 20-F/A of Industrias Bachoco, S.A.B. de C.V. (the “Company”) replaces in its entirety the annual report of the Company on Form 20-F of that was originally filed on June 30, 2009 (the “2008 Form 20-F”) and omits the Attestation Report of the Registered Public Accounting from Item 15: “Controls and Procedures”. The Attestation Report of the Registered Public Accounting Firm should have been omitted from the 2008 Form 20-F because the Report of the Independent Registered Public Accounting Firm has been omitted. The Company’s external auditors require additional time to complete their audit of the reconciliation of the Company’s Consolidated Financial Statements under Mexican FRS to U.S. GAAP.

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Industrias Bachoco, S.A.B. de C.V. is a holding company with no operations other than holding the stock of its subsidiaries. During an extraordinary stockholders' meeting held on November 23, 2007, our shareholders approved our name change from Industrias Bachoco S.A. de C.V. to Industrias Bachoco, S.A.B. de C.V., by operation of law and amended article one of our bylaws. Our principal operating subsidiary is Bachoco, S.A. de C.V. ("BSACV"), which owns the principal operating assets of Industrias Bachoco, S.A.B. de C.V. and accounted for 94.1% of consolidated total assets on December 31, 2008. References herein to "Bachoco," "we," "us," "our," "its" or the "Company" are, unless the context requires otherwise, to Industrias Bachoco, S.A.B. de C.V. and its consolidated subsidiaries as a whole.

We are incorporated under the laws of the United Mexican States (México), and all of our operations are in México. Our principal executive offices are located at Avenida Tecnológico No. 401, Ciudad Industrial C.P. 38010, Celaya, Guanajuato, México, and our telephone number is +52 -461- 618-3555.

### Presentation of Information

We publish our financial statements in Mexican pesos and present our financial statements in accordance with Mexican Financial Reporting Standards ("Mexican FRS") in effect as of the balance sheet date and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the Mexican National Consumer Price Index (NCPI) published by Banco de México (central bank).

Mexican FRS B-10 supersedes Bulletin B-10 "Recognition of the effects of inflation on the financial information" and its five amendment documents as well as the related circulars and Interpretation of Financial Reporting Standards (IFRS) 2. The principal considerations established by this FRS are:

(i) Recognition of the effects of inflation – An entity operates in (a) an inflationary economic environment when cumulative inflation over the immediately preceding 3-year period is equal to or greater than 26%; and (b) a non-inflationary economic environment, when inflation over the aforementioned period is less than 26%. For more detail, see Note 2-x in our Consolidated Financial Statements.

With respect to (a) above, similarly to the now superseded Bulletin B-10, the comprehensive recognition of the effects of inflation is required. For case b), the effects of inflation are not recognized; however, at the effective date of this FRS and when an entity ceases to operate in an inflationary economic environment, the restatement effects determined through the last period in which the entity operated in an inflationary economic environment (in this case 2008), must be kept and shall be reclassified on the same date and using the same procedure as that of the corresponding assets, liabilities and stockholders' equity. Should the entity once more operate in an inflationary economic environment, the cumulative effects of inflation not recognized in the periods where the environment was deemed to be non-inflationary should be recognized retrospectively.

Except as otherwise indicated, all data in the financial statements included below in Item 18 (which together with the attached notes constitute the "Consolidated Financial Statements") and the selected financial information included throughout this Form 20-F/A (this "Annual Report") have been presented in nominal pesos for the year 2008 and in constant pesos as of December 31, 2007 for the year 2007, 2006, 2005 and 2004.

Mexican FRS differs in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). For a discussion of certain significant differences between Mexican FRS and U.S. GAAP as they apply to us, together with a reconciliation of consolidated operating income, consolidated net income and consolidated stockholders' equity to U.S. GAAP, and a consolidated statement of cash flows under U.S. GAAP, see Note 21 to the Consolidated Financial Statements. The effect of price-level restatement under Mexican FRS has not been reversed in the reconciliation to U.S. GAAP. See Note 21 to the Consolidated Financial Statements.



References herein to “U.S. dollars,” “U.S.\$” or “\$” are to the lawful currency of the United States of America. References herein to “pesos” or “Ps.” are to the lawful currency of México. This Annual Report contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at an exchange rate of Ps.13.815 to U.S.\$1.00, the exchange rate on December 31, 2008.

As used herein, the term “tonnes” refers to metric tons of 1,000 kilograms (equal to 2,204.6 pounds) and the term “billion” refers to one thousand million (1,000,000,000). One square meter is equivalent to 10.764 square feet.

### Market Data

This Annual Report contains certain statistical information regarding the Mexican chicken, beef, egg, balanced feed (or “feed”), turkey and swine markets and our market share. We have obtained this information from a variety of sources, including the producers’ associations Unión Nacional de Avicultores (“UNA”), Consejo Nacional Agropecuario (“CNA”); Consejo Mexicano de Porcicultura (“CMP”), as well as Banco de México (“Mexican Central Bank”), Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentos (“Ministry of Agriculture, Livestock, Rural Development, Fishing and Food” or “SAGARPA”) and publications of the U.S. Department of Agriculture (“USDA”). The producers’ associations rely principally on data provided by their members. Information for which no source is cited was prepared by us on the basis of our knowledge of the Mexican chicken, egg, feed, turkey and swine markets and the wide variety of information available regarding these markets. The methodology and terminology used by different sources are not always consistent, and data from different sources are not readily comparable.

### Forward-Looking Statements

We may from time to time make written or oral forward-looking statements in our periodic reports to the Securities and Exchange Commission on Forms 20-F and 6-K, in our annual report to stockholders, in offering circulars and prospectuses, in press releases and other written materials and in oral statements made by one of our officers, directors or employees to analysts, institutional investors, representatives of the media and others.

Examples of such forward-looking statements include, but are not limited to: (i) projections of revenues, income (or loss), earnings (or loss) per Share, capital expenditures, dividends, capital structure or other financial items or ratios; (ii) statements of our plans, objectives or goals or those of our management, including those relating to new contracts; (iii) statements about future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “should” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties, and a number of unexpected changes could cause actual results to deviate from our plans, objectives, expectations, estimates and intentions. We recognize that the accuracy of our predictions and our ability to follow through on our intentions depend on factors beyond our control. The potential risks are many and varied, but include unexpected changes in:

- economic, weather and political conditions;

- raw material prices;
- competitive conditions; and
- demand for chicken, eggs, turkey, balanced feed and swine.

## PART I

### ITEM 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

### ITEM 3. Key Information

#### A. Selected Financial Data

The information set forth below is derived from Bachoco's Consolidated Financial Statements, which are included in Item 18. In this disclosure, we explain the figures and year-to-year changes in our Consolidated Financial Statements.

- In preparing the Consolidated Financial Statements, we followed Mexican FRS, which differ in certain respects from U.S. GAAP. Note 21 to the Consolidated Financial Statements provides a description of the main differences between Mexican FRS and U.S. GAAP as they apply to us; a reconciliation from Mexican FRS to U.S. GAAP of total stockholders' equity, net income, and a condensed statement of cash flows under U.S. GAAP as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008. Our financial statements were prepared pursuant to Bulletin B-10, as superseded by Mexican FRS B-10, as well as Bulletin B-12, as superseded by Mexican FRS B-2, both issued by the Mexican Institute of Public Accountants. See the summary on Mexican FRS B-10 in "Presentation of information" above.

Except as otherwise indicated, all data in the consolidated financial statements included below in Item 18 (collectively with the accompanying notes, the "Consolidated Financial Statements") and the selected financial information included throughout this Form 20-F/A (this "Annual Report") have been presented in nominal pesos for the year 2008 and in constant pesos as of December 31, 2007 for the years 2007, 2006, 2005 and 2004. The effects of this price-level restatement under Mexican FRS have not been reversed in the reconciliation of Mexican FRS to U.S. GAAP. See Note 21 to the Consolidated Financial Statements.

As of January 1, 2008, we have adopted the new standard related to "Inflationary Effects" in accordance with Mexican FRS (Mexican FRS B-10). Due to the relatively low inflation that the country has consistently achieved during the past several years, a new financial reporting standard came into effect on January 1, 2008, which eliminates the recognition of inflationary effects in our financial information. Consequently, financial information corresponding to periods prior to December 31, 2007 is expressed in millions of Mexican Pesos with purchasing power as of December 31, 2007, while the financial information for December 31, 2008, is stated in million of nominal Mexican Pesos.



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	As of and for the year ended December 31,					
	2004	2005	2006	2007	2008	2008(2)
	(in millions of constant pesos as of December 31, 2007 for years 2004 – 2007 and					millions of U.S.
Income Statement Data	millions of nominal pesos for year 2008)(1)					dollars)(1)
<b>Mexican FRS:</b>						
Net revenues	Ps. 14,836.7	Ps. 15,617.7	Ps. 15,551.0	Ps. 18,219.6	Ps. 20,125.3	1,456.8
Cost of sales	12,032.4	11,234.2	12,053.0	14,477.9	17,482.5	1,265.5
Gross profit	2,804.3	4,383.5	3,498.0	3,741.8	2,642.9	191.3
Operating income	952.4	2,378.1	1,425.4	1,496.3	230.1	16.7
Comprehensive financing income (loss)	(79.8)	(74.0)	61.4	19.1	(1,,369.2)	(99.1)
Majority net income (loss)	788.3	1,908.4	906.2	1,270.9	(879.0)	(63.6)
Majority net income (loss) per Share(3)	1.3	3.2	1.5	2.1	(1.5)	(0.1)
Majority net income (loss) per ADS(4)	15.8	38.2	18.1	25.4	(17.5)	(1.3)
Dividends per Share(5)	0.46	0.44	0.61	0.59	0.59	0.05
Weighted average Shares outstanding (thousands)	599,260	599,694	599,571	600,000	600,000	600,000
<b>Statement of Financial Position Data</b>						
<b>Mexican FRS:</b>						
Cash and cash equivalents	Ps. 2,608.4	Ps. 3,419.9	Ps. 3,583.9	Ps. 3,039.9	Ps. 1,998.2	144.6
Total assets	15,008.6	16,530.9	17,559.2	19,116.4	19,455.0	1,408.2
Short-term debt(6)	111.2	100.0	9.8	58.8	234.2	17.0
Long-term debt	80.9	56.0	35.5	50.8	391.7	28.3
Total stockholders' equity	12,132.7	13,502.7	14,102.9	15,127.2	14,079.4	1,019.1
Capital Stock	2,294.6	2,294.6	2,294.9	2,294.9	2,294.9	166.1
<b>Selected Operating Data</b>						
Sales volume (thousands of tonnes):						
Chicken	733.0	773.0	773.7	837.2	878.1	
Eggs	138.1	140.6	143.4	147.8	143.6	
Swine and Others	9.1	9.6	8.9	16.1	18.8	
Balanced Feed	320.7	389.6	484.4	438.8	370.7	
<b>Margins</b>						
Gross margin (%)	18.9%	28.1%	22.5%	20.5%	13.1%	
Operating margin (%)	6.4%	15.2%	9.2%	8.2%	1.1%	
Consolidated net margin (%)	5.3%	12.2%	5.8%	7.0%	(4.4)%	
Total employees	18,896	20,432	21,035	23,088	23,248	

(1) Except per share and per ADS amounts and operating data.

(2) Peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of Ps.13.815 per U.S. dollar.

(3) Net income per share has been computed based on the weighted average number of common Shares outstanding.

- (4) Net income per ADS has been computed by multiplying net income per share by twelve, to reflect the ratio of twelve Shares per ADS.
- (5) Dividends per share have been computed by dividing the total amount of dividends paid by the weighted average Shares outstanding.
- (6) Includes notes payable to banks and current portion of long term debt.

Exchange Rates

In 2004, the Mexican peso showed volatility for the first four months of the year with a general trend to depreciate with respect to the U.S. dollar. In the following months, the Mexican peso fluctuated around the same level, it finished the year stronger against the dollar when compared to the exchange rate at the end of 2003.

During 2005, the Mexican peso continued showing volatility mainly at the beginning and at the end of the year, with a general trend to appreciate with respect to the U.S. dollar. At the end of 2005, the Mexican peso finished stronger against the U.S. dollar.

During 2006, the Mexican economy showed signs of stability with an annual inflation rate of 4.1%. After showing volatility during the first part of the year, the Mexican peso showed a reasonably stable peso-dollar exchange rate with a final depreciation of 1.6%, compared with the exchange rate at the end of 2005.

In 2007, the Mexican economy was stable overall, with an annual inflation rate of 3.8%, while the peso-dollar exchange rate at the year-end depreciated by 1.1% with respect to December 31, 2006.

During 2008, the Mexican economy suffered a sharp slowdown and ended the year with an inflation rate of 6.5%. The exchange rate of the peso against the U.S. dollar was highly volatile. While during the first half of the year, the Mexican peso strengthened its position with respect to the U.S. dollar, the Mexican peso experienced a steep depreciation during the second half of the year and the peso-dollar exchange rate at year-end had depreciated by 21.0% with respect to December 31, 2007.

The following table sets forth for the periods indicated the high, low, average and year-end exchange rates for the purchase and sale of U.S. dollars (presented in each case as the average between such purchase and sale rates):

Year Ended December 31,	Exchange Rate(1) (in current pesos per U.S. dollar)			Year End
	High	Low	Average(2)	
2004	11.64	10.81	11.29	11.15
2005	11.41	10.41	10.89	10.63
2006	11.46	10.43	10.91	10.80
2007	11.27	10.67	10.93	10.92
2008	13.94	9.92	11.14	13.83

(1) The exchange rates are the noon buying rates in New York City for cable transfers in pesos as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate").

(2) Average of month-end rates for each period shown.

Period	Exchange Rate(1) (in current pesos per U.S. dollar)	
	High	Low
December 2008	13.83	13.09
January 2009	13.33	14.33
February 2009	15.09	14.13
March 2009	15.41	14.02
April 2009	13.89	13.05
May 2009	13.82	12.88



(1) The exchange rates are the noon buying rates in New York City for cable transfers in pesos as certified for customs purposes by the Federal Reserve Bank of New York.

On May 29, 2009, the exchange rate for cable transfers in pesos as certified for customs purposes by the Federal Reserve Bank of New York was Ps.13.18 per \$1.00 U.S. dollar.

B. Capitalization and Indebtedness

Not applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

Risks Relating to México, Other Emerging Market Countries and the U.S. Economy

México has experienced adverse economic conditions

- In 2004, México's GDP increased by 4.4% and the inflation rate was 5.19%.
- In 2005, México's GDP improved and increased by 3.0%, and the inflation rate was 3.33%.
- In 2006, GDP increased by 4.8% while the inflation rate was 4.05%.
- In 2007, GDP increased by 3.3% and the inflation rate was 3.8%.
- In 2008, GDP increased by 1.3% and the inflation rate was 6.5%.

In general, if the Mexican economy falls or remains in a recession or if inflation and interest rates increase significantly, consumers may find it difficult to pay for the products we offer. This and other effects of recession or increased inflation and interest rates could have adverse consequences on our business, financial condition and results of operations.

Depreciation or fluctuation of the peso relative to the U.S. dollar could adversely affect our financial condition and results of operations

The single largest component of our cost of sales, our feed, is comprised partially of ingredients we purchase from the United States, where prices are denominated in U.S. dollars. In addition, the prices of ingredients we purchase in México may be influenced by U.S. commodity markets. Therefore, should the peso fall relative to the U.S. dollar, both the cost of our operations and our debt payments would increase. Any future depreciation or devaluation of the peso may result in further net foreign exchange losses.

- In 2004, the Mexican peso appreciated with respect to the U.S. dollar by 0.8% at year end, whereas the average value of the Mexican peso against the U.S. dollar was 4.4% lower, since the peso appreciated at the end of the year.
- In 2005, the Mexican peso appreciated with respect to the U.S. dollar by 4.9% at the end of the year and also the average value of the Mexican peso was 3.6% higher.



- In 2006, the Mexican peso was reasonably stable in its peso-dollar exchange rate with a final depreciation of 1.6%, compared to the end of 2005. The average value of the Mexican peso was 0.10% lower than the average of 2005.
- In 2007, the Mexican peso remained reasonably stable in its peso-dollar exchange rate. According with the U.S. Federal Reserve Bank, the peso was depreciated with respect to the U.S. dollar by 1.1% at year-end. The average value of the Mexican peso was 0.21% lower than the average of 2006.
- In 2008, the Mexican peso was highly volatile during the year in its peso-dollar exchange rate with a final depreciation of 21.0%, compared to the end of 2007. The average value of the Mexican peso was 1.9% lower than the average in 2007.

The Company uses financial instruments to counter financial risks on the exchange rate of the Mexican peso versus the U.S. dollar; a drastic change in the exchange rate could have an adverse impact on the financial position of our Company.

Severe devaluation or depreciation of the peso may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert pesos into U.S. dollars for the purpose of making timely payments of interest and principal on our indebtedness. While the Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of México, the government could institute restrictive exchange rate policies in the future. Currency fluctuations will probably continue to affect our revenues and expenses.

Furthermore, fluctuations in the exchange rate between the peso and the U.S. dollar will also affect the U.S. dollar equivalent of the peso price of our Shares (the “Shares” or “Series B Shares”) in the Mexican Stock Exchange and the price of American Depositary Shares (“ADSs”) on the New York Stock Exchange. Because we pay cash dividends in pesos, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of American Depositary Receipts (“ADRs”) upon conversion of such cash dividends by the Depositary.

High levels of inflation and high interest rates in México could adversely affect our financial condition and results of operations

México has experienced high levels of inflation and high domestic interest rates in the past. The annual rate of inflation, as measured by changes in the National Consumer Price Index was; 5.2% in 2004, 3.3% in 2005, 4.1% in 2006, 3.8% in 2007 and 6.5% in 2008. Inflation for the first four months of 2009 was 1.38% according to the Mexican Central Bank.

According to Bank of México the average interest rates on 28-day Mexican treasury bills, or Cetes, was 6.8%, 9.2%, 7.2% , 7.2% and 7.6% during 2004, 2005, 2006, 2007 and 2008, respectively. On May 27, 2009, the 28-day Cetes rate was 5.09%. High interest rates in México could adversely affect our costs. Our earnings may also be affected by changes in interest rates due to the impact those changes have on our variable-rate debt instruments and benefited by the interest we earn in our cash balance.

Political events in México could affect Mexican economic policy and our operations

Felipe Calderón was elected as President of México in July of 2006. President Calderón’s party, the Partido Acción Nacional, or PAN, obtained a plurality of the seats in the Mexican Congress after the election, no party succeeded in securing a majority in either chamber of the Mexican Congress. The absence of a clear majority by a single party and the lack of alignment between the president-elect and the legislature are likely to continue until the next Congressional election in 2009. This situation may result in government gridlock and political uncertainty, which could have an

adverse effect on our business, financial position and results of operations. We cannot provide any assurance that future political developments in México, over which we have no control, will not have an adverse effect on our financial position or results of operations.

Developments in other emerging market countries may adversely affect our business or the market price of our securities

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in México, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. We cannot assure you that the market value of our securities will not be adversely affected by events elsewhere, especially in emerging markets.

Developments in the U.S. economy may adversely affect our business

Economic conditions in México are heavily influenced by the condition of the U.S. economy due to various factors, including commercial trade pursuant to the North American Free Trade Agreement ("NAFTA"), U.S. investment in México and emigration from México to the United States. Events and conditions affecting the U.S. economy may adversely affect our business, results of operations, prospects and financial condition.

#### Risks Relating to our Organization

The chicken industry is characterized by long-term price declines and cyclical periods

The Mexican chicken industry, like the chicken industry in other countries, has been characterized by a long-term decline in prices in real terms. The industry has undergone cyclical periods of higher prices and profitability, followed by overproduction, leading to periods of lower prices and profitability. Real prices for eggs and swine in México have also declined over the long term and have varied cyclically. The market that we serve is subject to volatility with respect to supply, which affects prices. We cannot assure you that future cyclical, excess supply and downturns in real prices will not adversely affect our results.

The price of feed ingredients is subject to significant volatility

The largest single component of our cost of sales is the cost of ingredients used to prepare feed, including sorghum, soybean meal, corn, fish meal, meat meal and, for certain chicken products, marigold extract. The price of most of our feed ingredients is subject to significant volatility resulting from weather, the size of harvests, transportation and storage costs, governmental agricultural policies, currency exchange rates and other factors. Given the long-term declining trends in real chicken prices, we may experience difficulty or delays in passing any increase in grain costs to customers. Accordingly, increases in the prices of the main ingredients used in the preparation of feed may have a material adverse effect on our margins and results of operations. Since we purchase many feed ingredients in U.S. dollars, from time to time we may acquire financial instruments to protect us against exchange rate fluctuations that may affect future purchases of feed ingredients.

Additionally, the prices of corn and soybean meal experienced high volatility in 2007 and throughout most of 2008. Prices of corn reached historically high prices worldwide, as a result of strong demand and consequently, lower inventories worldwide. . However, by the end of 2008, such prices had begun to decline. We can offer no assurance that corn and soybean meal prices will not continue to experience strong volatility in the future. If such prices begin to increase again, our profits could be adversely affected.

The company uses these financial instruments to counter financial risks as protection against adverse fluctuations in the prices of corn and soybean. A drastic change in the grain prices could have an adverse impact on the financial position of the Company.

Our operations depend on raising animals and meat processing, which are subject to risks such as disease, contamination and adverse weather conditions

Our operations involve raising animals and are subject to a variety of risks, including disease, contamination and adverse weather conditions. Chickens, in particular, are susceptible to infections by a variety of microbiological agents. Since 1983, the avian influenza virus (“AIV”) has been widespread in the United States and in México. In 2004 and 2005, AIV was still present in Asian countries and the United States. During 2004 and 2005, México has been eliminating some restrictions on the importation of chicken from certain U.S. states as the sanitary conditions in those states improve. In October 2005, México lifted importation restrictions on all U.S. states, except for 11 counties in the state of Texas. Since 2007, Mexico lifted importation restrictions for those remaining 11 counties in the state of Texas.

In the past we have experienced limited outbreaks of various diseases that have resulted in higher mortality rates.

During 2005, there was an ample diffusion on the media worldwide of the widespread of a particular strain of AIV (H5N1), mainly in Asia and some European countries, which affected consumption of chicken in those countries. At the present time, this strain has not been found in the United States or in Latin America.

Meat and eggs are subject to contamination during processing and distribution. We do not believe that contamination of individual shipments during distribution would have a material adverse effect on our operations. Contamination during processing, however, could affect a larger number of our poultry products and therefore could have a more significant impact on operations.

Hurricanes or other adverse weather conditions could result in additional losses of inventory and damage to our plants and equipment. Our facilities near México’s coast are most vulnerable to the risk of severe weather. The last year we experienced a loss of chickens was in 2006 in our Norwest Complex due to the effects of Hurricane Lane.

The use of nutritional supplements and the possibility of contamination expose us to risk of loss of consumer confidence in the chicken industry

To reduce contamination, we use specialized feedstock and nutritional supplements that have been approved by the Mexican government and meet international industry standards. We can offer no assurance, however, that in the future we will not be materially adversely affected by claims or consumer concerns arising out of the use of these products in raising our animals.

Our sales are entirely dependent on consumer preferences, and the loss of consumer confidence in the products sold by Mexican meat and egg producers as a result of disease, contamination or other reasons, even if not related to our own products, could have a material adverse effect on the results of our operations.

We face significant competition from other chicken producers in all of our geographic markets and product lines

According to the UNA, we are México's largest chicken producer, but we face competition from other producers in all of the markets in which we sell our products. In 2008, we accounted for approximately 31% of total chicken production in México. There are two other major vertically integrated chicken producers in México, which together with Bachoco account for more than 55% of Mexican chicken production, with the balance distributed among approximately two hundred small- and medium-sized integrated and non-integrated producers.

Each of the two other major companies has substantial financial resources and strengths in particular product lines and regions. We expect to continue to face strong competition in every market, as our existing or new competitors are likely to broaden their product lines and extend their geographic coverage. Accordingly, we cannot assure you that our performance will not be adversely affected by increased competition.

We face increased competition from U.S. producers

In January 2003, import quotas and most tariffs on poultry, eggs and swine were eliminated through the North America Free Trade Agreement or "NAFTA". Poultry producers in the United States have developed extremely low-cost production methods and have been successful in exporting primarily frozen and value-added poultry to other countries, especially in periods of overcapacity in the United States. As tariff barriers decline under NAFTA, U.S. producers can be expected to increase exports to México, which could have a material adverse effect on our performance.

In July 2003, the Mexican government imposed temporary restrictions on chicken leg quarters imported from the U.S. The safeguard consists of a five-year limited poultry import measure. The measure, which became effective in 2003, includes quotas and an initial tariff of 98.8% on chicken leg quarters that will slowly decrease until it reaches 0.0% in 2008. On January 1, 2008, the safeguard was phased out.

We are a holding company with no substantial operations and depend on our subsidiaries for cash flow

We are a holding company with no substantial operations and, consequently, we are dependent on dividends and other payments from subsidiaries for virtually all of our cash flow, including cash flow to pay taxes, service debt, make equity investments, finance the growth of subsidiaries and pay dividends to stockholders. Together with Mexican law, our ability to pay dividends may, in the future, be limited by financial covenants in debt instruments that we, or our subsidiaries, may acquire.

Risks Relating to the ADS, and the Shares in the Mexican Market

The Robinson Bours family controls our management and their interests may differ from other security holders

Certain members of the Robinson Bours family hold the power to elect a majority of the members of our Board of Directors and have the power to determine the outcome of certain other actions requiring the approval of our stockholders, including whether or not dividends are to be paid and the amount of such dividends. The Robinson Bours family has established two Mexican trusts, which they control ("Control Trust"), that together held 496,500,000 Shares outstanding on December 31, 2007. In November of 2008, the Robinson Bours family created a third trust with 102,000,000 Shares, which were taken from one of the existing trusts. The purpose of this new trust is to serve as collateral for the Company's loan indebtedness. The three trusts together accounted for 496,500,000 Shares outstanding on December 31, 2008 and there has been no change in the position of each holder.





Future sales of Shares by the controlling stockholders may affect prevailing market prices for the ADS's and the Shares trading at the Mexican Market.

The prevailing market prices for the ADS's and Shares could decline if either:

- the Robinson Bours family were to sell substantial amounts of their Shares, whether
  - o directly, or
  - o indirectly, through the Mexican trusts through which they hold Shares; or
- the perception arose that such a sale could occur.

The protection afforded to minority stockholders in México is different from that in the United States

Under Mexican law, the protection afforded to minority stockholders is different from those in the United States. In particular, the law concerning fiduciary duties of directors is not well developed, there is no procedure for class actions or stockholder derivative actions, and there are different procedural requirements for bringing stockholder lawsuits. As a result, in practice it may be more difficult for our minority stockholders of Bachoco to enforce their rights against us or our directors or our controlling stockholder than it would be for stockholders of a U.S. company.

Our bylaws restrict the ability of non-Mexican stockholders to invoke the protection of their governments with respect to their rights as stockholders

As required by Mexican law, our bylaws provide that non-Mexican stockholders shall be considered as Mexicans with respect to their ownership interests in Bachoco and shall be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a non-Mexican stockholder is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican government with respect to the stockholder's rights as a stockholder, but is not deemed to have waived any other rights it may have, including any rights under the U.S. securities laws, with respect to its investment in Bachoco. If you invoke such governmental protection in violation of this agreement, your Shares could be forfeited to the Mexican government.

Our bylaws may only be enforced in México

Our bylaws provide that legal actions relating to the execution, interpretation or performance of the bylaws may be brought only in Mexican courts. As a result, it may be difficult for non-Mexican stockholders to enforce their stockholder rights pursuant to the bylaws.

It may be difficult to enforce civil liabilities against us or our directors, officers and controlling persons

We are organized under the laws of México, and most of our directors, officers and controlling persons reside outside the United States. In addition, all of our assets and their assets are located in México. As a result, it may be difficult for investors to affect service of process within the United States on such persons or to enforce judgments against them. This pertains also to any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in México, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.



Non-Mexican stockholders may not be entitled to participate in future preemptive rights offerings

Under Mexican law and our bylaws, if we issue new Shares for cash as part of a capital increase, we must grant our stockholders the right to purchase a sufficient number of Shares to maintain their existing ownership percentage in the Company (“preemptive rights”). We can allow holders of ADSs in the United States to exercise preemptive rights in any future capital increase only in one of the following two circumstances:

- we file a registration statement with the Securities and Exchange Commission with respect to that future issuance of Shares; or
  - the offering qualifies for an exemption from the registration requirements of the Securities Act.

We make no promises that we will file a registration statement with the Securities and Exchange Commission to allow holders of ADSs in the United States to participate in a preemptive rights offering. As a result, the equity interests of such holders in the Company may be diluted proportionately. In addition, under current Mexican law, it is not practicable for the depository to sell preemptive rights and distribute the proceeds from such sales to ADS holders.

Corporate disclosure and accounting in México may differ from other countries

There may be less, or different, publicly available information about issuers of securities in México than is regularly published by or about issuers of securities in other countries with highly developed capital markets. In addition, due to country-by-country differences in accounting and other reporting principles and standards, our corporate disclosures may differ in content from disclosures made under other principles and standards, such as U.S. GAAP.

#### ITEM 4. Information on the Company

##### A. History and Development of the Company

Our legal name is Industrias Bachoco, S.A.B. de C.V., and we frequently refer to ourselves commercially as Bachoco. We were incorporated in México on April 17, 1980. Our headquarters are located at Avenida Tecnológico No. 401, Ciudad Industrial 38010, Celaya, Guanajuato, México, telephone (52)(461) 618-3500 and (52)(461)618-3555. Our investor relations agent in the U.S. is Grayling, who is located in New York, New York. Our main product lines are: chicken, table egg, balanced feed and swine. At the present almost all of our production and almost all of our sales are made in México.

According to the UNA, we are the largest poultry producer in México. In 2008, we produced approximately 9.4 million chickens per week and accounted for approximately 31% of total chicken production in México. As a vertically integrated producer, we control virtually all aspects of the production and distribution process, which enables us to exercise cost controls and to maintain high standards of quality, service and efficiency. With over 700 production and distribution facilities dispersed throughout México, our operations include the following:

- preparing balanced feed;

- breeding, hatching and growing chickens; and
- processing, packaging and distributing chicken products.

Sales of chicken products accounted for 76.9% of our net revenues in 2008. Please also see the table under Item 5. “General—Results of Operations for the Years Ended December 31, 2007 and 2008.”

We are also a significant producer of commercial balanced feed. We sell our feed both through distributors and directly to small producers. During 2008, we sold approximately 370 thousand tons of balanced feed to external customers, which amounted to 7.3% of our total revenues for that year.

Currently, Bachoco is the second largest producer of table eggs products. In 2008, we sold approximately 143 thousand tons. Table egg sales accounted for 10.5% of our net revenues in 2008.

As part of our other product lines we also sell swine on the hoof to meat packers for pork product production, miscellaneous poultry-related products, and in 2007 we entered into two new business lines: turkey and beef value-added products. In 2008, sales of swine and these other lines accounted for 5.3% of our net revenues.

The following table sets forth, for each of the periods presented, the volume of chicken, balanced feed, table eggs and swine that we sold:

	Bachoco Sales Volume (in thousands of tonnes)				
	Year Ended December 31,				
	2004	2005	2006	2007	2008
Chicken	733.0	773.0	773.7	837.2	878.1
Eggs	138.1	140.6	143.4	147.8	143.6
Swine(1)	9.1	9.6	8.9	16.1	18.8
Balanced Feed	320.7	389.6	484.4	438.8	370.7

(1) Includes Swine, Turkey and Beef products.

In the Mexican poultry industry few producers operate in multiple regions. We believe we have the broadest geographic market coverage in the Mexican poultry industry and that we are one of the largest poultry suppliers in the México City metropolitan region (which accounts for a significant portion of overall Mexican chicken consumption). We currently compete in every major product category and channel of distribution for poultry products within the regions that we serve. We expect to continue to do so in order to meet growing consumer demand and needs.

#### Background and Ownership Structure

Founded in 1952 by the Robinson Bours family as a small commercial table egg operation in the state of Sonora, we grew by expanding our existing facilities and acquiring additional facilities from other poultry producers. In 1974, we established operations in Celaya, located in the agricultural region of Bajío, to begin serving the México City metropolitan region. Beginning in 1988, our management recognized the potential for growth in Mexican chicken consumption, as well as the advantages of a large, vertically integrated operation. As a result, we began to seek opportunities for geographic expansion and to increase production capacity and market share. We extended our market coverage (particularly in 1993 and 1994) by purchasing fixed assets and inventory from major regional

producers that faced financial difficulties. Following each acquisition, we made substantial investments to apply our production and distribution methods and reap the benefits of vertical integration and economies of scale, improving the performance of the acquired facilities.

In April 1995, Robinson Bours stockholders created a trust (the “Control Trust”), the principal purpose of which was to hold a controlling interest in our Series B Shares. Before September 2006, our common stock (“Common Stock”) consisted of Series B Shares and Series L Shares of limited voting stock (“Series L Shares”) (collectively, the “Old Shares”). The Old Shares were grouped into units. Each unit (“Unit”) consisted of one Series B Share and one Series L Share. Each B Unit (“B Unit”) consisted of two Series B Shares.

In September 1997, we made an initial public offering of Units representing 17.25% of the outstanding Old Shares. Following such offering, the Control Trust held Units and B Units representing 68.0% of the outstanding Series B Shares.

In September 2006, we separate the UBL and UBB units trading on the Mexican Exchange into their component L and B Shares. The Series L Shares was converted into Series B Shares, on a one -to -one basis, thereby creating a single Share class, the Series B Shares, which represent our entire Common Stock. This change did not modify the face value of the Shares. These Shares are trading on the Mexican stock market. The ADS still consist of twelve underlying Shares, but they are all Series B Shares, with full rights.

As of December 31, 2008, the Robinson Bours Stockholders owned B Shares representing 82.75% of the Series B Shares outstanding. As a result, the Robinson Bours Stockholders continue to have the power to control the Company.

Members of the Robinson Bours family, together with certain of our executive officers, hold a majority of the seats on our Board of Directors.

In November 1998, we approved a stock repurchase plan (the “Repurchase Plan”), which allows us to repurchase up to 3.0% of the total Shares outstanding and trading on the Mexican Stock Exchange (Bolsa Mexicana de Valores), in accordance with Mexican securities laws. To execute the Repurchase Plan, we created a reserve of Ps. 180.0 million (Ps. \$303.9 million in constant Mexican pesos as of December 31, 2007), which reduced retained earnings on our balance sheet. As of May 29, 2009, we had repurchased a total of 92,000 shares.

In July 2004, we reached an agreement for renting the farms of the union producers of UPAVAT & UPATEC, small union producers of table eggs in the Techamachalco Valley of the state of Puebla, south of México City, with a capacity of about 0.75 million of lying hens. This operation allows us to start the production of table eggs in southern México.

On June 29, 2005, we acquired certain assets of Grupo Sanjor, a private poultry company located in the Yucatan Peninsula, with production of approximately 300 thousand chickens per week and 100 thousand table egg laying hens, which allow us to reinforce our leadership in this region of the country.

In December 2006, we acquired most of the assets and inventories of “Del Mezquital” to start a new complex in the State of Sonora, located in northern México, close to the border with the United States. See Item 5: “Operating and Financial Review and Prospects - Acquisitions and Dispositions” in this Annual Report for more details on this transaction.

In February 2007, we reached a business agreement with “Grupo Libra” a Company in the Northeast of México, that includes the buying of all their inventories and long term rent agreement of their facilities to strengthen our presence in that market. See Item 5: “Operating and Financial Review and Prospects – Acquisitions and Dispositions” in this Annual Report for more details on this transactions.





In December 2007, we reached an agreement with “Grupo Agra,” a table eggs company located in the states of Nuevo Leon and Coahuila in Northeast Mexico. The agreement provides for leasing of their facilities, which include laying hens farms (with a capacity of approximately 1.0 million hens), a processing table eggs plant, distribution centers and the Agra brands. In addition, we acquired all of their inventories.

### Business Strategy

Over the past decade, we have substantially increased our chicken production, establishing ourselves in every major product category and distribution channel for chicken and expanding to cover a geographic market in México that is more widespread than any other chicken producer. We have also increased the efficiency of our production process and built a reputation for the freshness of our chicken products and quality of our customer service.

The Mexican poultry industry has experienced considerable consolidation in the last years, in which we have participated. We continue to evaluate possible acquisitions of other poultry producers or production facilities from time to time and may pursue certain opportunities consistent with our business strategy.

The key elements of our business strategy are as follows:

- Increased market penetration through expanded distribution. We have an extensive distribution network, supported by our own transportation fleet, superior knowledge of existing wholesale channels and strategically located cold storage warehouses and facilities. We have substantially increased our distribution routes during the past years. We plan to continue to develop and improve our distribution network and systems in every product category and throughout our expanded geographic coverage in México.
- Increased service and market responsiveness. We seek to remain a leader in the Mexican poultry market by maintaining high standards of customer service and continuing to be responsive to the changing needs of varying market segments. As part of this strategy, we have structured our operations in such a way as to enable us to vary the size, weight, color and presentation of our chicken products, depending upon the particular demands of the market segment. In addition, we have decentralized order and sales services from our headquarters to our cold storage warehouses and facilities, which serve as midpoints in the distribution chain to wholesalers and local customers. This strategy allows us to stay closer to our customer base and to better cultivate growing customer segments, such as food-service operators, supermarkets and food wholesale clubs.
- Low-cost production and operating efficiency. We are among México’s lowest-cost producers and distributors of chicken, due in part to economies of scale and vertically integrated operations. We pursue on-going programs to increase operating efficiencies and reduce operating costs.
- Continued brand differentiation. We have developed a brand image for premium fresh chicken and table eggs in México. Building on the success of our branded products to date, we seek to continue to promote our brand name through billboards, packaging, special publicity campaigns and through development of brand loyalty among wholesale and retail distributors. At the end of 2007 and beginning of 2008, we successfully launched Bachoco’s new image.

## Capital Expenditures

Over the last three years, we have financed our capital expenditures with resources generated by our operations. We made the following capital expenditures during the last three years (nominal pesos):

- In 2006, we made capital expenditures of Ps.856.2 million net, with which we:

- o Continued to update our transportation fleet, farms, processing plants and feed mills, which expenditures continue to the present;

- o Increased capacity, mainly for the production of live chickens and;

- o Building of a new feed mill in the state of Aguascalientes.

- In 2007, we made capital expenditures of Ps.991.7 million net, with which we:

- o Began the construction of the new complex in the state of Sonora.

- o Finished the construction of our new feed mill in the state of Aguascalientes;

- o Increased capacity in the production of live chicken;

- o Increased capacity of the secondary processor at some of our processing plants; and

- o Updated our transportation fleet, processing plants and feed mills.

- In 2008, we made capital expenditures of Ps. 1,098.8 million, with which we:

- o Increased capacity and implemented new technology in the processing plants located in Celaya and Culiacán.

- o Increased chicken capacity in farms located in Mérida and Veracruz.

- o Finished the construction of new farms located in Ciudad Obregón and Hermosillo.

- o Began the construction of new farms located in the state of Chiapas.

- o Updated our transportation fleet.

## B. Business Overview

### Chicken Market

Mexican consumers value distinct characteristics in their chicken. Virtually all chicken sold by us and other major chicken producers in México is fresh. Fresh chicken is a central ingredient in many traditional Mexican dishes and it is the leading meat consumed in México according to data from the UNA. Traditionally, value-added chicken products, such as heat-and-serve products, frozen dinners, chicken nuggets and other similar foods, have found limited acceptance among Mexican consumers due to historical consumer preferences for fresh chicken.

The value-added chicken products are a new market in Mexico; we participate significantly in the market and try to lead the supply of these products. According to the UNA, value-added chicken products currently account for approximately 4.0% of the chicken sold in México; this represents a decrease from the 7.0% market share in 2007.

Mexican consumers traditionally prefer chicken with pronounced yellow skin pigmentation, a characteristic found mainly in our public-market and supermarket-broiler chicken products that we attain by including marigold extract in our chicken feed. We have also noticed an increased demand for smaller, whole, fresh chicken from various fast-food outlets, principally chicken roasting shops (rosticerías), which have developed rapidly in México.

According to data obtained from the UNA, total Mexican chicken consumption per capita increased by 14.6% from 2004 to 2008. Chicken is the leading meat consumed in México, and it accounted for approximately the 50.0% of all meat produced in México in 2008. The following table sets forth total Mexican production of chicken, pork and beef for 2004 to 2008:

Mexican Production of Chicken, Beef and Pork  
(in thousands of tonnes)\*(1)

	2004	2005	2006	2007	2008
Chicken	2,390	2,498	2,592	2,683	2,853
Beef	1,543	1,559	1,602	1,628	1,673
Swine	1,150	1,088	1,102	1,116	1,149

\*(1) Source: UNA

The Mexican chicken industry, like chicken industries in other countries, is characterized by a long-term decline in real prices in real terms in conjunction with cyclical periods of higher profitability leading to overproduction followed by periods of lower prices and lower profitability.

In 2004, our chicken prices increased by approximately 6.7%, mainly as a result of an increase in the cost of the main feed ingredients worldwide, and a more normalized supply in México during the second half of the year.

In 2005, our chicken prices decreased by approximately 1.7%, mainly as a result of a decrease in the cost of the main feed ingredients worldwide, and a strong oversupply during the last quarter of the year. We believe that Mexican chicken prices may decline further in real terms and that prices for chicken may also vary cyclically.

In 2006 our chicken prices declined 3.6% when compared to the previous year mainly as a result of an oversupply in the Mexican poultry market at the beginning of 2006.

During 2007, our chicken prices increased by 8.3% as compared with 2006, due to increases in the price of the main feed ingredients and a strong demand for chicken.

In 2008, our chicken prices increased by 4.4% compared to prices in 2007, which was primarily a result of increases in the prices of raw materials, partially offset by (i) excess domestic supply, particularly during the second half of the year, and (ii) a decrease in the purchasing power of the average consumer.

We believe that changes in Mexican chicken consumption correlate closely with changing chicken prices and their effect on consumer purchasing power. Chicken per capita consumption increased 3.3% in 2004, 3.5% in 2005, 2.6% in 2006, 2.5% in 2007 and 5.3% in 2008.

#### Chicken Products

Six main product categories exist for fresh chicken in México: live, public market, rotisserie, supermarket broiler, chicken parts and value-added products.

Below is a brief description of each chicken product line as well as its respective percentage of the total Mexican chicken production in 2008:

“Live” chicken is delivered alive to small independent slaughtering operations or to wholesalers that contract with independent slaughtering operations for processing. The freshly slaughtered chicken is then sold to chicken shops and other specialized retailers for sale to consumers and in some areas is sold directly to consumers by the slaughterhouse. According to the UNA, live chicken accounted for approximately 27% by volume of the chicken sold by producers in México.

“Public Market” chicken is a whole broiler presented either uneviscerated or eviscerated, generally sold within 48 hours after slaughter in public markets throughout México, but primarily concentrated in the México City metropolitan region. According to the UNA, public market chicken accounts for 21% by volume of the chicken sold by producers in México.

“Rotisserie” chicken is a whole broiler presented eviscerated and ready to cook. Rotisserie chicken is sold by wholesalers and directly by producers to small shops, stands (rosterías or asaderos) and supermarkets, which cook the chicken and sell it whole and freshly cooked to the end-consumer, providing an economical form of fast-food. According to the UNA, rotisserie chicken accounts for 26% by volume of the chicken sold by producers in México.

“Supermarket Broiler” chicken is a fresh whole broiler presented with the edible viscera packed separately. In most cases, it is sold directly by producers to supermarkets and, in some regions, to other independent food shops. Mexican consumers’ preference for freshness requires regular deliveries of chicken to supermarkets and other food shops. According to information provided by the UNA, the supermarket broiler chicken accounted by the 12% of the volume of the chicken sold by producers in México.

“Chicken Parts” refers to cut-up fresh chicken parts sold wrapped in trays or in bulk principally to supermarket chains, the fast-food industry and other institutional food-service providers. Producers generally sell directly to the supermarket chains and deliver the chicken directly to the outlet. Sales to the institutional market often require customized cutting and presentation. According to the UNA, chicken parts accounts for 10% of the chicken volume sold by producers in México.

“Value-added Products” refers mainly to cut up fresh chicken parts with value-added treatment like marinating, breading and individual quantity frozen, sold mainly wrapped in trays principally to supermarkets and other institutional chains. Producers generally sell directly to the supermarket chains and deliver the chicken directly to the store. Sales to the institutional market often require customized cutting and presentation. According to the UNA, these products account for 4% of the chicken volume sold by producers in 2008.

We sell value-added chicken products mainly to supermarkets and other retailers. The following table sets forth, for the periods indicated, the sales volume in tonnes and as a percentage of the total volume of chicken sold for each of our principal lines of chicken products:

	Year Ended December 31,									
	2004		2005		2006		2007		2008	
	Volume	% of Total	Volume	% of Total	Volume	% of Total	Volume	% of Total	Volume	% of Total
	(thousands of tonnes, except percentages)									
Public Market and Rotisserie	319.1	43.5	349.6	45.2	344.3	44.5	371.0	44.3	402.1	45.8
Supermarket Broiler, Chicken Parts and Other(1)	219.6	30.0	219.1	28.4	228.2	29.5	245.1	29.3	239.0	27.2
Live	194.4	26.5	204.3	26.4	201.2	26.0	221.2	26.4	237.0	27.0
Total	733.1	100.0%	773.0	100.0%	773.7	100.0%	837.2	100.0%	878.1	100.0%

(1) “Other” comprises sales of value-added poultry products, viscera and other products.

Our product mix varies from region to region in México, reflecting different consumption and distribution patterns. Based on market demand, we believe that fresh, rather than frozen, chicken will continue to dominate the Mexican market. Furthermore, we believe that consumer demand for value-added fresh chicken products, such as rotisserie chicken, supermarket broilers and chicken parts, will increase over time. Accordingly, we continue to focus principally on producing fresh chicken, including value-added fresh chicken products.

## Chicken Marketing, Sales and Distribution

We have developed an extensive distribution system that we believe is the largest and most modern of any chicken or egg producer in México. We use various distribution channels in every major product category to service different market segments. We use our own fleet to transport the majority of rotisserie chickens, supermarket broilers and other chicken products to our customers. We try to cooperate with existing distribution channels and do not compete with wholesale distributors, except in areas where we supply our own distribution capacity where needed for market penetration.

We distribute products from our nine processing plants (located in Celaya, Culiacán, Puebla, Lagos de Moreno, Coatzacoalcos, Mérida, Gómez Palacio, Monterrey and Hermosillo) to our cold-storage facilities and warehouses, which serve as a midpoint in distribution to wholesalers and local customers. From our cold-storage facilities, we service wholesalers (who in turn deliver to their customers) and transport certain products directly to supermarkets and food-service operations. Our distribution infrastructure includes 60 cold-storage warehouses and facilities and a large fleet of vehicles. The decentralized sales force permits us to remain attuned to developments in the regions we serve and to develop close relationships with customers.

We have expanded our distribution network, which now covers almost all of México:

- During 2004, we finished our projects to expand the facilities at our Northwest Complex and Peninsula Complex.
- In 2005, we acquired assets of Grupo Sanjor, a private producer of chicken and table eggs located in the Yucatán Peninsula.
- At the end of 2006, we acquired assets of “Del Mezquital,” a private broiler producer located in the state of Sonora.
- At the beginning of 2007, we reached a business agreement with “Grupo Libra,” a chicken producer located in northeast México. We also started to build a new complex in Hermosillo City.
- In 2008, we finished several projects to expand our facilities in Mérida and continued increasing our production in Northern México, specifically in the city of Hermosillo and in the state of Chiapas.

In the following paragraphs, we provide a description of our marketing, sales and distribution strategies for each of our major chicken products.

- Live Chicken – We sell live chicken primarily to wholesalers, which contract out the processing to independent slaughterhouses and then resell the processed product as public market chicken. To a lesser extent, we sell to small, independent slaughterhouses in the southeast, where live chicken continues to be the standard for consumption. Additionally, customers can purchase live chicken directly from us on our farms. However, we believe that the market as a whole is moving slowly away from live chicken.



- **Public Market Chicken** – We believe that we are the largest producer of public market chicken in México. We regularly sell to more than 50 of the approximately 200 whole fresh chicken wholesalers operating in the México City region. Most of our wholesale customers rely primarily on us for public market chicken, although we have no exclusive supply agreements. Our principal focus in this market has been to provide superior distribution and service to selected wholesalers in order to maintain and further develop loyalty. Public market chicken is ordinarily sold to consumers without any packaging or other identification of the producer, but our distribution system encourages wholesalers to sell to retailers in containers from our own “Bachoco” trailers, reinforcing our reputation for freshness and efficiency of service and fostering brand loyalty among retailers. We believe we have developed excellent relationships with the wholesalers we serve.
- **Rotisserie Chicken** – We sell rotisserie chicken directly to rosterías, asaderos and supermarkets. We attribute the growth in our sales of rotisserie chicken in large part to the rapid growth of the market for freshly cooked chicken sold by rosterías and asaderos and in the rotisserie sections of supermarkets. We expect this market to continue to grow because of an ever-increasing consumer demand for convenient, low-priced and high-quality fast food. Success in supplying rotisserie chicken depends on consistency and good service, and only larger producers with more modern processing facilities and distribution capacity can compete in this market. We expect to expand sales of rotisserie chicken by leveraging our increasingly developed transportation and distribution network.
- **Supermarket Broiler Chicken** – We sell supermarket broilers, as well as chicken parts and eggs, directly to the principal supermarkets, convenience store chains and wholesale clubs in México. In order to build consumer loyalty for our supermarket broiler chicken, we emphasize our brand image as well as our superior service, reinforced by frequent delivery to ensure freshness. Each chain negotiates purchases centrally, but we deliver directly to every point of sale, ordinarily at least once every 48 hours. We believe that we lead the market in frequency of deliveries to supermarkets.
- **Chicken Parts** – We sell chicken parts principally to supermarkets, using the same marketing strategy that we use for supermarket broiler chicken. We are also an important supplier of chicken parts to the growing franchise fast-food and institutional food-service industries. We continue to develop custom-cutting processes to help meet demand from fast-food and institutional customers for a wider variety of chicken parts.
- **Value-Added Products** – Mexican consumers have a greater preference for fresh chicken than their U.S. counterparts. Frozen, heat and serve and other further processed poultry products make up only a small proportion of total Mexican poultry consumption today. Demand for these kinds of fresh products is growing rapidly. The potential for substantial growth in this market is large and we believe that our distribution network, our large market share for supermarket chicken sales, our brand name and our experience in a wide range of existing Mexican distribution channels will be important competitive strengths in this area.

Even though sales of value-added products have increased during recent years, fresh chicken still dominates the industry. The Company is constantly developing new, convenient value-added products.

#### Table Eggs

According to the UNA, México has one of the largest per capita consumption of table eggs in the world with 21.7 kilograms per capita a year, compared with approximately 21.6 kilograms per capita consumed in 2007. This high level of consumption is due in part to the fact that eggs are among the cheapest sources of protein in México.

The Mexican table egg industry is more fragmented than the chicken industry but has experienced some degree of consolidation in recent years, including acquisitions made by us. According to the UNA, the ten largest producers of table eggs in México now account for approximately 48.6% of the market.

Eggs in México have traditionally been distributed in large 360-egg cases through wholesalers to retailers. The retailers, which are typically small grocery shops, sell the eggs by weight to consumers. At present, approximately 20.0% of the eggs sold in México are sold in packaged form, 10.0% are sold in processed form and approximately 70.0% are sold in bulk to wholesalers. The sales trend in recent years has slowly been moving towards packaged and processed egg sales. We expect that the convenience, the development of brand loyalty and the growth of supermarket chains will contribute to the continuance of this trend toward packaged eggs.

According to the UNA, Bachoco is the second largest producer of table eggs in México with approximately 12.0% of the market. We sell both brown and white eggs. We are the largest producer of brown eggs in México. Our marketing efforts for egg products focus on increasing our brand recognition.

The branded carton of brown eggs is a premium product in the Mexican market. We believe that brown eggs are less vulnerable to price fluctuations than white or unbranded eggs, because consumers perceive them to be of higher quality. Brown eggs command a small premium over white eggs.

In some regions, however, we have reallocated part of our production from brown eggs to white eggs due to local market preferences. Our marketing strategy in the eggs business is to gradually move from bulk to packaged white eggs. Packaged eggs are less vulnerable to price fluctuation and create brand loyalty.

In 2004, we started to build new farms to increase production capacity of table eggs in our Northwest Complex, at Mexicali, near the U.S. border. We completed this project in the second half semester of 2005.

In 2005, as part of the acquisition of Grupo Sanjor, we acquired some table egg farms located in the Yucatán Peninsula.

In December 2007, we reached an agreement with “Grupo Agra”, located in the states of Nuevo Leon and Coahuila in Northeast Mexico. The agreement provides for leasing of their facilities, which include laying hens farms with a capacity of approximately 1.0 million hens, a processing table eggs plant, distribution centers and the Agra brands. In addition, we acquired all of their working capital.

In 2007, we began to enter into foreign markets. We are testing our brand by selling table eggs in the southern U.S. states with products produced in the U.S. This test will allow us to see how our brand is received and identify opportunities and strategies going forward.

In 2008, our table egg production remained stable with a slight reduction in production capacity due to some adjustments we made in production.

We have designed our egg distribution system to transport eggs from our laying farms at Celaya, Los Mochis, Obregón, Mexicali, Tecamachalco, Mérida, Saltillo and La Laguna regions to customers in all sales regions. We sell packaged eggs directly to all of the principal supermarket chains in México, with daily deliveries directly to their outlets.

Seasonality

Our sales are moderately seasonal, with the highest levels of sales, in general, in the second and fourth quarter due to higher chicken consumption during the holiday season.

## Balanced Feed

According to Consejo Nacional de Fabricantes de Alimento Balanceado y de la Nutrición Animal, A.C) ("CONAFAB"), Mexican production of balanced feed has been in constant growth, increasing from 23.9 million tons in 2004 to an estimated 26.2 million tons in 2008. In 2008, México was ranked the third largest producer of feed in the world and the second largest in Latin America.

Local production is composed of commercial and integrated manufacturers. Commercial manufacturers produce for the market, while integrated manufacturers mostly produce for themselves and occasionally for other producers. Integrated producers account for approximately 63.4% of total production. Imports of feed come almost entirely from the United States and represent approximately 1.1% of the total consumption in México.

We entered the feed business as a result of our acquisition of Grupo Campi at the end of 1999. We sell to small livestock producers and through a network of small distributors located mainly in central and southern México. We have benefited from economies of scale and synergies derived from producing feed both for our own internal consumption and for sale to third parties. Currently, we have four feed plants dedicated to produce balanced feed to third parties.

We estimate that our balanced feed business comprises approximately 3.9% of the market share of the commercial (non-integrated) balanced feed business in México, a reduction from the 4.8% market share in 2007. The decrease in our balanced feed sales volume is due to as high increases in the cost of grains which particularly affects our markets.

## Swine

We purchase breeder swine live from the United States and breed them at facilities in Navojoa. We then raise swine to maturity at our farms in Celaya and three other locations in México. Mature swine is sold on the hoof to Mexican swine meat packers for the production of pork products. In 2004, our swine prices increased by more than 20.0% as a result of an increase in the cost of feed ingredients and a more normalized supply and imports, and, during 2005, our swine prices decreased 9.0% due to larger supplies in the Mexican market which continued in 2006 where prices went down about 11.9%. In 2007, swine prices decrease 5.5% as a result of over-supply conditions in the swine market. In 2008, our swine prices increase by 19.6% as a result of a better balance in the commercial market. Traditionally, Mexicans consume less swine products than chicken and eggs products.

## Turkey and Prepared Beef Products

In 2007, as a result the "Del Mezquital" and "Grupo Libra" agreements we introduced two new product lines: turkey and value-added beef and pork products. We do not raise either turkey or cattle; we only process these products. See Item 5: "Operating and Financial Review and Prospects - Acquisitions & Dispositions" in this Annual Report for more details on the "Del Mezquital" and "Grupo Libra" agreements.

In 2008, these products lines represented less than 1.0% of our total sales. However we see opportunities to grow these businesses by taking advantage of our distribution network.

## Raw Materials

We purchase our breeding stock for broilers and layers from high-quality suppliers. All of our breeder swine currently come from one supplier, but we have changed suppliers from time to time and have numerous alternative sources of supply.



The largest single component of our cost of sales is the cost of ingredients used in the preparation of feed including, principally, sorghum, soy meal, corn, fish meal, meat meal, and for certain chicken products, marigold extract. The price of these ingredients is subject to significant volatility resulting from weather, the size of harvests, transportation and storage costs, governmental agricultural policies, currency exchange rates and other factors. To reduce the potential adverse effect of grain price fluctuations, we vary the composition of our feed to take advantage of current market prices for the various types of ingredients used.

Under NAFTA, the government eliminated the tariff on sorghum effective January 1, 1994, and eliminated tariffs on all other grains that we use, except corn, on January 1, 2003. Corn tariffs were eliminated on January 1, 2008. This new condition has been positive for the Company, allowing us more flexibility in our cost of production as the cost of our ingredients more closely tracks prices in the international commodity markets.

Since the end of 2006, throughout all of 2007 and most of 2008, prices of corn and soybean meal have experienced high volatility and have demonstrated historically high prices world-wide. However, by the end of 2008, prices of corn and soybean meal started to decrease and have continued their downward trend into the first quarter of 2009.

We take advantage of lower-cost feed ingredients from Mexican sources, when available. In 2008, we obtained approximately 48.0% of our total grain we bought from the domestic market. We believe that the quality of local feed ingredients, particularly sorghum, is superior to that of imported feed ingredients. In addition, the use of local feed ingredients allows us to save on transportation costs and import duties. However, in southern México where Grupo Campi's complexes are located, domestic crops and feed ingredients are limited. As such, these complexes use mainly imported grain. The Company engages in hedging of its feed costs in order to assure more stable cost of grains.

## Competition

### Chicken

According to the UNA, we are México's largest chicken producer. We face significant competition from other producers in all of the markets in which we sell our products. When combined with our two largest vertically integrated competitors, we account for approximately 55.0% of total Mexican poultry production; the balance is distributed among approximately one hundred and ninety small- and medium-sized integrated and non-integrated producers. The major producers, including Bachoco, have substantial cost advantages over smaller, non-integrated producers arising from economies of scale and control of feed preparation. To varying degrees, each of these companies has substantial financial resources and strengths in particular product lines and regions. We believe, however, that we have substantial competitive strengths over our competitors, including a broader range of chicken products and broader geographic coverage.

Furthermore, there are considerable barriers to entry into large-scale chicken production and distribution in México, including, among others, the consumer preference for fresh chicken, the weaknesses of transportation infrastructure and varying regional consumer preferences among the various product categories. The channels for distribution of chicken products, in particular, are highly specialized and varied, and they call for in-depth experience in market practices.

Nonetheless, we expect that we will continue to face strong competition in every market and that existing or new competitors are likely to broaden their product lines and to extend their geographic coverage.

Poultry producers in the United States have developed low-cost production techniques and have been successful in exporting primarily frozen and value-added poultry to other countries, especially in periods of overcapacity in the United States. As tariff barriers have declined under NAFTA, we have experienced increased competition from U.S. poultry producers. According to the UNA, in 2008, imports of poultry products increased 23.0% in volume over imports in 2007 and an increase of 6.2% over year 2006. This increase was due to lower level of prices in the U.S. and others foreign markets as well as the phase out at the beginning of 2008 of the temporary tariff safeguard which has been put into place for the benefit of domestic producers.

We expect that competition from U.S. exporters could increase. However, Mexican consumer acceptance of frozen poultry products is still low, and we do not anticipate significant growth in the near future.

#### Table Eggs

We are one of the largest producers of table eggs in México, with approximately 12.0% of total Mexican egg production at the end of 2008. The Mexican table egg industry is very fragmented and the principal 10 companies only account for 48.6% of total table egg production in Mexico.

#### Balanced Feed

According to the Consejo Nacional de Fabricantes de Alimento Balanceado y de la Industria Animal, A.C. (“CONAFAB”), the balanced feed production in México recorded a cumulative increase of 9.6% from 2004 to 2008, where the integrated firms produce approximately 63.4% of total production for their internal use, and the remaining 36.6% is produced for sale to third parties. We estimate a market share of approximately 3.9% in our feed product line.

#### Swine

The Mexican swine industry is highly fragmented, and no producer has more than 15.0% of the market. On December 31, 2008, we had less than 1.0% of the Mexican market share in swine. U.S. producers already compete in this market in México because tariff barriers on swine are moderate.

#### Mexican Regulation

##### Mexican Import Regulation and Price Controls

As required by NAFTA, the Mexican government eliminated all permanent quotas and tariffs on poultry, table eggs and swine in January 2003. With certain specific exceptions described below, there are now no quotas or tariffs on imports of poultry, eggs and swine from the United States. We expect the elimination of these trade protections to stabilize the level of imports over time and to permit improved private control over imports, which may result in increased competition from importers.

##### Import limits and short-term tariffs:

The Mexican government has put in place a number of short-term tariffs and import limits on poultry, eggs and swine:

- In January 2003, the Mexican government announced a temporary safeguard to stabilize the flow of poultry imports, which included an initial tariff of 98.8% on imports of chicken leg quarters. This safeguard will decrease annually until it reaches 0% in 2008. All other chicken products from the United States, including whole chicken, chicken parts other than leg quarters and eggs, remain tariff-free.





- According to the safeguard, for 2007, the tariff in effect was 19.8% for imports of chicken leg quarters above the quota of 104 thousand tonnes.
- Starting on January 1, 2008, the safeguard was phased out. This allows U.S. producers to export any amount of chicken leg quarters free of tariffs to México.

In addition to NAFTA, México has entered into free trade agreements with several other countries including Chile, Europe, Colombia and Venezuela. Although such agreements may result in lower tariffs on our own products, we believe that imports from such countries will not increase substantially in the future due to high transportation and distribution costs.

#### Antitrust Regulations

The Ley Federal de Competencia Económica (“Mexican Economic Competition Law”), which took effect on June 22, 1993, regulates monopolies and monopolistic practices. Under this law, all companies (including Bachoco) are required to notify the Comisión Federal de Competencia (“Federal Competition Commission”) of all proposed transactions exceeding specified threshold amounts as set forth in the Mexican Economic Competition Law. The Federal Competition Commission can impose conditions on, and prevent or unwind, any such transactions by Mexican companies. We have complied with all requirements under this law.

#### Environmental and Sanitary Regulation

Our operations are subject to Mexican federal and state laws and regulations relating to the protection of the environment. The principal laws are Ley General de Equilibrio Ecológico y Protección Ambiental (General Law of Ecological Balance and Environmental Protection—the “Environmental Law”) and Ley de Aguas Nacionales (“National Waters Law”). The Secretaría del Medio Ambiente y Recursos Naturales (Ministry of Environment and Natural Resources, or “Semarnat”) administers the Environmental Law, and Comisión Nacional del Agua (“National Water Commission”) administers the National Waters Law.

The Environmental Law regulates water pollution, air pollution, noise control and hazardous substances. Semarnat can bring administrative and criminal proceedings against companies that violate environmental laws, and after certain administrative procedures, it also has the power to close non-complying facilities. Every company in México is required to provide Semarnat with periodic reports regarding compliance with the Environmental Law and the regulations thereunder.

The level of environmental regulation in México has increased in recent years, and enforcement of the law is improving. We expect this trend to continue and to intensify with international agreements between México and the United States.

In particular, Mexican environmental laws set forth standards for water discharge that are applicable to poultry processing operations. Our processing plants have water treatment facilities that comply with Mexican environmental standards. We are implementing other investment projects in anticipation of stricter environmental requirements in the future. We do not expect that compliance with those Mexican federal environmental laws or Mexican state environmental laws will have a material effect on our financial condition or performance.

The production, distribution and sale of chicken, eggs and swine are subject to Mexican federal and state sanitary regulations. The principal legislation is Ley General de Salud (“General Health Law”) and Ley Federal de Sanidad Animal (“Federal Animal Health Law”). The Federal Animal Health Law was enacted in 1993, and, since then, we have been working closely with Mexican authorities to develop regulatory standards and inspection methods for chicken

processing. Currently, Mexican authorities do not monitor production or inspect products to the same degree as sanitary authorities in other countries, such as the USDA in the United States. However, we believe that we are in compliance with all applicable sanitary regulations.

C. Organizational Structure

We are a holding company with no operations other than holding the stock of our subsidiaries, all of which are incorporated in México, and engaging in transactions with our subsidiaries. Our principal operating subsidiary is BSACV, which owns our principal operating assets, and which accounted for 94.1% of consolidated total assets as of December 31, 2008, and 91.9% of our consolidated revenues for the year ended December 31, 2008. All of our subsidiaries are directly owned by us in the percentage listed below. None of these subsidiaries have any subsidiaries of their own.

The following table shows our main subsidiaries as of December 31, 2006, 2007 and 2008:

	Percentage Equity Interest		
	2006	2007	2008
Acuícola Bachoco, S.A. de C.V.	100	100	100
Aviser, S.A. de C.V.	100	100	100
Bachoco, S.A. de C.V. ("BSACV")	100	100	100
Bachoco Comercial, S.A. de C.V.	-	100	100
Campi Alimentos, S.A. de C.V.	100	100	100
Huevo y Derivados, S.A. de C.V.	97	97	97
Operadora de Servicios de Personal, S.A. de C.V.	100	100	100
Pecuarius Laboratorios, S.A. de C.V.	64	64	64
Secba, S.A. de C.V.	100	100	100
Sepetec, S. A. de C.V.	100	100	100
Servicios de Personal Administrativo, S.A. de C.V.	100	100	100
Induba Pavos, S.A. de C.V.	100	100	100

In December 2006 and July 2007 we created Induba Pavos, S.A. de C.V. and Bachoco Comercial, S.A. de C.V. respectively. They are both 100% owned subsidiaries of Industrias Bachoco.

There were no changes in our subsidiaries during 2008.

D. Property, Plant and Equipment

Our production and storage facilities are located throughout the regions we serve in order to ensure freshness and minimize transportation time and costs. The most extensive facilities are grouped in nine complexes that include farms and processing plants. The largest of our complexes is in Celaya, where we have broiler grow-out farms, a broiler processing plant and egg production farms. The complex at Culiacán includes broiler grow-out farms and a broiler processing plant, as do the complexes located in Puebla, Lagos de Moreno, Coahuila, Mérida, Hermosillo and Monterrey. There are smaller egg production farms at Los Mochis, Ciudad Obregón and Mexicali. In Gómez Palacio and Saltillo, we have a complex which consists of broiler grow-out farms, a broiler processing plant and egg production farms representing nearly half of our total egg production capacity.

The following table summarizes the types and number of each type of our production facilities as of March 2009:

Bachoco Production Facilities

Type	Number
Chicken breeding farms	168
Broiler grow-out farms	466
Broiler processing plants	9
Egg incubation plants	21
Egg production farms	101
Swine breeding farms	1
Swine grow-out farms	12
Feed mills	17
Further process plants	3

In 2003, the Company implemented projects to expand the facilities at the Peninsula Complex as well as the Northwest Complex. Both complexes were expanded to increase capacity by approximately 50% by the third quarter of 2004. These projects were financed with internal resources generated by our own operations.

On September 16, 2006, Hurricane Lane, hit the southern part of the state of Sinaloa affecting some of our chicken growing farms in that region. We were able to keep a proper supply to our customers in that region from our other complexes.

On April 13, 2008, the secondary processor at our processing plant in Monterrey caught fire. While the fire destroyed the entire secondary processor, the primary processor, which is physically separate from the second, did not suffer any damage and is operating under nearly normal conditions. The assets were properly covered by an insurance policy.

We operate 17 feed mills for our own chickens, feed sales to third parties and egg and swine operations. The total production capacity of our feed plants is approximately 390,000 tons per month. We estimate that we are the largest producer of animal feed in México.

Our other facilities include two poultry manure-processing plants. Our headquarters are located in Celaya Guanajuato, México, and we have 60 sales centers throughout the regions we serve.

We own most of our facilities. We also lease a limited number of farms and sales centers, all of which we do not consider material. We also employ a network of contract growers.

Our fleet of trucks carries part of the feed from feed mills to farms, live chickens from farms to processing plants, day-old chickens from egg incubation plants to farms, eggs from farms to distribution centers and, ultimately, products from distribution centers to customers.

ITEM 4.A.

Unresolved Staff Comments

None.

ITEM 5.

Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our Consolidated Financial Statements. The Consolidated Financial Statements have been prepared in accordance with Mexican FRS, which differs in certain respects from U.S. GAAP. Note 21 to the Consolidated Financial Statements provides a description of the principal differences between Mexican FRS and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of consolidated stockholders' equity, net income, a consolidated statement of changes in stockholders' equity and a consolidated statement of cash flows under U.S. GAAP as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008.

As of January 1, 2008, we have adopted the new standard related to "Inflationary Effects" in accordance with Mexican FRS (Mexican FRS B-10). Due to the relatively low inflation that the country has consistently achieved during the past several years, a new financial reporting standard came into effect on January 1, 2008, which terminates the recognition of inflationary effects in our financial information. Consequently, financial information corresponding to periods prior to December 31, 2007 is expressed in millions of Mexican Pesos with purchasing power as of December 31, 2007, while the financial information for periods after December 31, 2007 is stated in millions of nominal Mexican Pesos. The effects of this price-level restatement in accordance with Mexican FRS have not been reversed in the reconciliation from Mexican FRS to U.S. GAAP. See the Consolidated Financial Statements for more detail.

General

In the following discussion we describe various trends and how they affected our results of operations for the years ended December 31, 2006, 2007 and 2008.

Mexican Economic Conditions

In 2006 the Mexican economy showed signs of volatility during the first part of the year, before the presidential election. After the election the economy showed stability with an annual inflation rate of 4.1% and a reasonably stable peso-dollar exchange rate with a final depreciation of the peso against the dollar of 1.6%, as compared to the end of 2005. Rates on 28-day Cetes decreased to an average of 7.2% for the year.

In 2007 the Mexican economy was stable with an annual inflation rate of 3.8% and a final dollar-peso depreciation rate of the peso against the dollar of 1.1%, as compared to the end of 2006. Rates on 28 day Cetes had an average of 7.19% for the year.

During 2008 the Mexican economy was very volatile. In the first half of the year, the Mexican economy showed little signs of volatility. However, as a result of the global economic slowdown and particularly the financial crisis in the U.S., the Mexican economy experienced a drastic downturn in the second half of the year. In particular, the Mexican peso experienced a sharp depreciation, the Mexican economy had a general slowdown and economic forecasts deteriorated.

In 2008 the annual inflation rate for was 6.5% and the final dollar-peso depreciation rate of the peso against the U.S. dollar was approximately 21.0%, as compared to the end of 2007. The rate on 28 day Cetes had an average of 7.6% for the year.

The global financial crisis which is currently negatively affecting Mexico could extend for several years and thus could have a material adverse effect on our future operating and financial results.

Effects of Economic Conditions on the Industry and the Company

Any erosion of the purchasing power of Mexican consumers may adversely affect demand for our products and, as a result, our net revenues and profitability. Inflation and changing prices affect our ability to raise prices as well as consumer demand, supplier prices and other costs and expenses, consumer purchasing power and competitive factors, all of which in turn affect our net revenues and operating results. Peso devaluations and high inflation levels could further adversely affect our operations and financial position.

Mexican economic conditions have had an important impact on México's chicken market, especially in the feed costs and the exchange rate as we noted above. Balanced feed constitutes a substantial portion of our cost and is priced mostly in U.S. dollars.

We use financial instruments to mitigate the cost of goods sold in currencies other than Mexican pesos. See Note 2-q and Note 10 of the Consolidated Financial Statements.

In 2006, average Mexican producer prices decreased by approximately 3.0% mainly from oversupply conditions in the market during the first part of the year and as market conditions returned to more normalized levels as compared with the first three quarters of 2005.

In 2007, average Mexican producer prices increased by approximately 10.0% mainly due to increases in the cost of raw materials and a balance between supply and demand in the market, particularly in the second and third quarter of the year.

During 2008, average Mexican producer prices increased by approximately 0.2% mainly due to increases in the cost of raw materials, partially offset by oversupply conditions primarily in the second part of the year.

Our outstanding total indebtedness at the end of 2008 increased to Ps. 625.9 million as compared to the Ps. 109.6 million in 2007, as we increased our debt in order to ensure sufficient liquidity.

In 2008, we had foreign exchange gain of Ps. 160.2 million due to fluctuations in the exchange rate of the peso against the U.S. dollar, as compared to a foreign exchange loss of Ps.3.4 million in 2007 and a foreign exchange gain of Ps. 40.8 million in 2006. Our valuation effects of financial instruments was a loss of Ps. 1,666.8 million as compared to a loss of Ps. 44.1 millions in 2007, as a result of the Mexican peso depreciation at the end of the year and the volatility in the cost of grains which negatively affected our hedging positions. See note 10 in our Consolidated Financial Statements.

#### Volume of Chicken Sold

The Company achieved an increase in its volume of chicken sold during the last years by

The slight increase in 2006 was 0.1%, due mainly to productivity improvements, offset by the negative effects Hurricane Lane on our Northwest Complex during the second half of the year, and a reduction in yield as the Company moves to offering value-added products.

The 8.2% increase in the volume in 2007, was mainly due the business agreements entered into in 2007, domestic growth and productivity efforts.

In 2008, the Company reported an increase in volume of chicken sold of 4.9%, compared to 2007. This increase is due mainly to new farms in the cities of Hermosillo and an expansion in capacity at our Mérida and Coatzacoalcos complexes.

#### Trends in Product Prices

Our results of operations may also significantly affected by the cyclical and volatile nature of Mexican prices for chicken, feed, eggs and swine.





### Chicken Prices

In 2006, our chicken prices decreased 3.7% due to oversupply in the market, in the first part of the year, and a lower more normalized historical demand compared to 2005.

In 2007, our chicken prices increased 8.3% as a result of a stable market conditions and increases in the cost of our main raw materials.

In 2008, our chicken prices increased 4.4% as a result of increases in our costs of sales, partially offset by oversupply conditions, which were present throughout the year.

### Egg Prices

In 2006, our egg prices increased 3.9% compared to 2005, as a result of a more stable supply.

In 2007 our egg prices increased 18.5% as a result of a strong demand, particularly in the second half of the year.

In 2008 our egg business was strong and egg prices increased by 23.9% as a result of a better balance between the demand and supply in the market and improvements in our mix of products sold.

Bachoco's eggs business continues to work to improve its sales mix by increasing the mix of packaged product with brand identification with better profit margins.

### Balanced Feed Prices

In 2008 the Company was strongly affected by higher feed ingredient costs and oversupply conditions which resulted principally from the global economic slowdown. Balanced feed prices tend to follow the trends in the prices of feed ingredients, which we discuss in "Trends in Prices of Feed Ingredients" below.

### Swine Prices

In 2006, our swine prices declined 11.9% as a result of greater competition from imports and a more fragmented Mexican market.

The same conditions in the swine market that were present in 2006 were also present in 2007, causing a 5.5% decline in our swine prices.

During 2008, demand and supply were stable for most of the year and swine prices increased by 19.6% as compared to 2007.

We believe that, among other factors, industry price competition may continue to exert downward pressure on chicken prices, and that prices for chicken, feed, eggs and swine are also likely to remain volatile and subject to cyclical variation, due to the time needed to complete the chicken growth cycle, chicken producers generally cannot adjust production to respond immediately to cyclical variations, and, accordingly, in times of oversupply, prices may decline due to overproduction.

### Trends in Prices of Feed Ingredients

The single largest component of our cost of sales is the cost of ingredients used to prepare feed, including sorghum, soybean meal, corn, fish meal, meat meal and, for certain chicken products, marigold extract. The prices of these feed ingredients are subject to significant volatility due to a number of variables, including, among other factors, weather, harvest size, transportation and storage costs, government agricultural policies and currency exchange rates. The price at which we may obtain feed ingredients from Mexican producers relative to U.S. producers is also subject to volatility depending on these variables.

At present, Mexican feed prices tend to parallel U.S. and international prices. In 2006, the percentage of grain purchased from domestic markets was 31.0%, in 2007 it was 36.4% and in 2008 it was approximately 48.0%.

During the second part of 2006, and through 2007, international corn prices increased significantly as a result of lower inventories and increases in alternative uses of corn, such as ethanol production.

Beginning in 2007 and throughout most of the 2008, international grain prices increased drastically reaching new historically high prices worldwide and exceeding the corn prices reached in 2004, due to strong demand and lower inventories worldwide. These price increases put strong pressure on our production costs.

Restrictions on importing grain under NAFTA phased out at the beginning of 2008. We expect this condition to be beneficial to the Company and result in a reduction of the costs associated with our imports of feed ingredients. However, while this change is generally positive to the Company, the high cost of raw materials made it difficult to reflect the positive impact of the purchases we made during 2008.

#### Acquisitions & Dispositions

Our operations have been affected during the periods we discuss herein, by a series of acquisitions and production arrangements that we have made in recent years:

- In December 2006, the Company started operations at a new complex in the state of Sonora by acquiring the farms from and leasing the processing plant and feed mill of “Del Mezquital Alimentos” in accordance with our strategic plans.
- In February 2007 and December 2007, the Company reached a business agreement with “Grupo Libra” and “Grupo AGRA” respectively as described below:
  - a) Grupo Libra is a company located in northeast México. The agreement establishes a lease for the use of their facilities, which included breeders and chicken farms with a capacity of approximately 3.0 million chickens per cycle, along with a slaughter plant, and a processing center. In addition, Bachoco acquired all of Grupo Libra’s inventories and brands.
  - b) Grupo Agra is an eggs producing company located in the states of Nuevo Leon and Coahuila in Northeast Mexico. The agreement provides for leasing of their facilities, which include laying hens farms with a capacity of approximately 1.0 million hens, a processing table eggs plant, distribution centers and the Agra brands. In addition, we acquired all their inventories.

These two transactions in 2007, represent less than 1.0% of our total sales. We analyzed both transactions to determine whether these agreements should be considered as business acquisitions, under SFAS141 “Business Combination”. Per the terms of the agreements, we did not acquire any employees, customer base or production techniques. For these and other reasons, we concluded that the transactions did not qualify as a business in accordance with EITF 98-3 “Determining Whether a non-monetary transaction Involves Receipt of Productive Assets or of a Business” (paragraph 6) and therefore were not deemed to be business combinations, in accordance with FAS 141.

Both transactions were accounted for as asset acquisitions. The accounting is the same for Mexican GAAP. The FAS 141 disclosure requirements described in paragraph 51-53 therefore do not apply to these transactions.

Additionally, we analyzed the appropriate accounting treatment related to leases as described in FASB 13 “Accounting for Leases” and concluded that the transactions were operating leases and did not qualify as capital leases because there is no transfer of ownership of the property to Bachoco by the end of the lease term, the lease does not contain an option to purchase the leased property at a bargain price, the lease term is not equal or greater than 75% of the estimated economic life of the leased property and the present value of rental and other minimum lease payment is not equal to or exceed 90% of the fair value of the leased property. We concluded that they were operating leases under both Mexican Financial Reporting Standards and US GAAP. The lease commitments were appropriately included in footnote No. 11 to the Consolidated Financial Statements.

On April 13, 2008, the second phase of our production process at our processing plant in Monterrey caught fire. While the fire destroyed the entire second phase of our production process, the first phase of our production process, which is physically separate from the second, did not suffer any damage and is operating under nearly normal conditions. All the assets were properly covered by an insurance policy.

#### A. Operating Results

##### Summary

The following table sets forth selected components of our results of operations as a percentage of net revenues for each of the periods indicated:

	Year Ended December 31,		
	2006	2007	2008
	(percentage of net revenues)		
Net revenues	100.0%	100.0%	100.0%
Cost of sales	(77.5)	(79.5)	(86.9)
Gross profit	22.5	20.5	13.1
Selling, general and administrative expenses	(13.3)	(12.3)	(12.0)
Operating income	9.2	8.2	1.1
Comprehensive financing income (loss)	0.4	0.1	(6.8)
Taxes	(3.9)	(1.7)	1.4
Net income (loss)	5.8	7.0	(4.4)

The following table sets forth, for each of the periods indicated, our net revenues of chicken, feed, eggs, swine and other products as a percentage of total net revenues in each period:

	Year Ended December 31,		
	2006	2007	2008
	(percentage of net revenues)		
Chicken	77.6%	77.6%	76.9%
Feed	9.0%	8.0%	7.3%
Eggs	9.2%	9.6%	10.5%
Swine and Others	4.2%	4.8%	5.3%
Total	100.0%	100.0%	100.0%



## Results of Operations for the Years Ended December 31, 2007 and 2008

### General

The global financial crisis had severe repercussions in the Mexican economy, especially in the second half of the year. In particular, there was a slowdown in the Mexican economy and a reduction in economic growth forecasts. In addition, the exchange rate of the peso against the U.S. dollar experienced a sharp depreciation of 21.0% when compared to the year-end exchange rate for 2007.

The Mexican economy had a growth rate of only 1.3% and the annual inflation rate increased to 6.5%.

According to the UNA, the production volume of the Mexican chicken industry grew by approximately 6.4% in 2008 as a result of consumer preference for healthier meat products, income increases per capita and chicken as a low-cost protein alternative to other meat sources.

With respect to the table egg industry, domestic production increased by 1.2% which led to a better balance between supply and demand in the market.

Even though we were able to increase sales in all our main product lines and sold our entire production, the Mexican economic slowdown, the continued increases in the cost of our main raw materials and oversupply conditions in the chicken markets negatively affected our operating and financial results. Consequently, we achieved an operating margin of 1.1%, which is lower than the 8.2% reached in 2007 and one of the weakest margins in the Company's history.

### Net revenues

Net sales during 2008 were Ps. 20,125.3 million, 10.5% higher than the Ps. 18,219.6 million reported in 2007. This was due to an increase in sales in all of our business lines. For more detail see the table included in Item 5: "Operating and Financial Review and Prospects - Summary" above.

Chicken sales grew by 9.5% as compared to sales in 2007. The increase was due to an 4.4% price increase. Even when there were oversupply issues throughout the year, the Company was able to sell its entire chicken production. Chicken volume grew by 4.9% due to increases in capacity driven by increases in capacity at several farms located in our Mérida and Veracruz complexes and new farms located in Hermosillo.

Table egg sales grew by 20.4% in 2008 as compared to sales in 2007 due to a 23.9% price increase, partially offset by a 2.8% decrease in volume. The sales increase was due to stable supply in the Mexican table eggs industry and strong demand for our table eggs products during most part of the year, of which more than 50% are packaged under our brand name.

During 2008, balanced feed sales grew slightly by 0.9% and the volume of balanced feed sold dropped 15.5% in comparison to 2007. This business line was strongly affected by high increases in the prices of raw material. The 19.4% increase in our balanced feed prices was not enough to offset the increases in our production costs.

We increased our pork sales by 35.3% in 2008 as compared to sales in 2007, due to a 13.1% increase in volume sold and a 19.6% increase in our pork prices which resulted from stable demand in the Mexican market and a slight reduction in imports of pork products.



In 2007 and 2008, we recognized Ps.10.9 million and Ps. 16.7 million, respectively, in revenue as a result of the fair valuing part of the Company's inventories, see Note 2-g, and Note 6-b in our Consolidated Financial Statements for more detail.

#### Cost of sales

Our consolidated cost of sales in 2008 was Ps. 17,482.5 million, an increase of 20.8% with respect to 2007, as a result of the substantial increases in the prices of raw materials, particularly grains, which are the most important components of our costs of sales.

#### Gross profit

As a percentage of net sales, gross profit was 13.1% in 2008, compared to 20.5% reported in 2007. The decrease was mainly due to a sharp increase in the cost of sales.

#### Selling, general and administrative expenses

The operating expenses of the Company in 2008 amounted to Ps. 2,412.8 million, an increase of 7.4% as compared to 2007, primarily due to increases in sales and distribution expenses. Total expenses accounted for 12.0% of the Company's total sales, representing a decrease of 0.3% when compared with the 12.3% reported for year 2007.

#### Operating income

The consolidated operating result for 2008 was a profit of Ps. 230.1 million, lower than the Ps. 1,496.3 million profit reported in 2007. The operating margin was 1.1% in 2008, as compared to the 8.2% reported in 2007.

#### Other income, net

Other income, net represented a net cost of Ps.21.0 million in 2008 as compared to a gain of Ps.69.6 million in 2007, mainly due to lower income for sales of waste animals, raw materials and by products, lower tax incentives and higher employee profit sharing contributions. See Note 17 of the Consolidated Financial Statements for more detail.

#### Comprehensive financial results

The Company had negative comprehensive financial results of Ps. 1,369.2 million in 2008, as compared to the comprehensive financing income of Ps. 19.1 million achieved in 2007. This reversal was primarily due to negative results in our exchange rate derivative instruments and grain hedge positions. Our net interest position and the impact on the valuation of our financial instruments was a loss of Ps.1,529.3 million in 2008, partially offset by our foreign exchange gain of Ps.160.2 million. See Note 10-a of our Consolidated Financial Statements for more detail.

#### Income (loss) before income taxes, and minority interest

Loss before income and asset taxes and minority interest was Ps. 1,160.1 million in 2008 as compared to income of Ps. 1,585.0 million in 2007.

At December 31, 2008, the Company recognized an income tax benefit for an amount of Ps. 274.0 million, compared to an income tax expense of Ps. 312.7 million reported in 2007. See note 16-a of the Consolidated Financial Statements for more details.





## Net (loss) income

The Company reported a consolidated net loss of Ps. 886.0 million for 2008, representing a loss per share of Ps.1.5 (equivalent to U.S.\$1.3 per ADS), as compared to a consolidated net profit in 2007 of Ps. 1,272.2 million or Ps. 2.1 per share (equivalent to U.S.\$1.8 per ADS). This decrease is due to the lower operating income and the negative comprehensive financial results we achieved in 2008.

## Results of Operations for the Years Ended December 31, 2006 and 2007

### General

In 2007, the Mexican economy showed signs of stability: GDP grew by 3.3%, the annual inflation rate was 3.8% and the peso-dollar exchange rates was reasonably stable with a dollar-peso depreciation rate of 1.1% at the end of the year, as compared to the end of 2006.

According to the UNA, the production volume of the Mexican chicken industry grew by approximately 3.5% in 2007. Consumer preference for healthier products, income increases per capita, and chicken as a low-cost protein alternative to other meat sources have all had a favorable effect on per capita poultry consumption in the country.

With respect to the egg industry, domestic production decreased by almost 5.3%, which contributed to a better balanced supply in the market particularly in the second half of 2007.

We were able to increase our sales in all our main product lines. We sold our entire production and achieved an operating margin of 8.2%, which is lower than the 9.2% reached in 2006.

### Net revenues

Net sales during 2007 were Ps. 18,219.6 million, 17.2% higher than the Ps. 15,551.0 million reported in 2006. This was due to an increase in sales in all of our business lines.

Chicken sales grew by 17.3% as compared to the sales in 2006. The increase was due to an 8.3% price increase, as a result of a balance between supply and demand in the chicken market for most of the year. Chicken volume grew by 8.2%, due to increases in capacity driven by the business agreements with the "Del Mezquital" and "Libra" companies, as detailed previously.

Table egg sales grew by 22.2% in 2007 as compared to sales in 2006, due to an 18.5% price increase, while volume grew by 3.1%. The sales increase was due to a stable supply in the Mexican table eggs industry, particularly during the second half of the year and more than 50% of our eggs being packaged under our brand name.

In 2007, balanced feed sales grew by 4.2%, while the volume of balanced feed sold decreased by 9.4% in comparison to 2006. Balanced feed price increased by 15.1% with respect to the prior year, driven by increases in the costs of raw materials.

We increased our pork sales by 24.3% in 2007, due to a 31.5% increase in volume sold while the price fell by 5.5% in comparison with 2006. This price drop was caused by a greater supply of these products in the Mexican market.

We recognized Ps.10.9 million in our 2007 revenue as a result of fair valuing part of the Company's inventories.



#### Cost of sales

In 2007, the consolidated cost of sales was Ps. 14,477.9 million, an increase of 20.1% with respect to 2006, as a result of increases in the prices of raw materials, particularly grains, which are one of our main raw materials.

#### Gross profit

As a percentage of net sales, gross profit was 20.5% in 2007, compared to 22.5% reported in 2006. The decline was due primarily to the increase in the cost of sales, resulting of the increase in cost of our main raw materials.

#### Selling, general and administrative expenses

Operating expenses increased to Ps. 2,245.5 million in 2007, an 8.4% increase over the prior year, primarily as a result of the increase in the volume of sales. These expenses represented 12.3% of the Company's sales, which was lower than the 13.3% reported in 2006.

#### Operating income

Consolidated operating income in 2007 was Ps. 1,496.3 million; 4.9% more than the Ps. 1,426.4 million reported in 2006. The operating margin was 8.2% in 2007, lower than the 9.2% reported in 2006.

#### Other income, net

Other income, net represented a net gain of Ps.69.6 million in 2007 as compared to a gain of Ps.18.4 million in 2006. Other income, net in both 2007 and 2006 was attributable mainly to sales of used equipment, income from governmental aid and miscellaneous services.

#### Comprehensive financial results

In 2007, we had a net comprehensive financing result of Ps. 19.1 million primarily due to Ps. 177.3 million of net interest income. This result was lower than the Ps. 61.4 million reported in 2006.

#### Income before income tax, asset tax, and minority interest

Income before income tax, asset tax, and minority interest was Ps, 1,585.0 million in 2007, Ps. 78.7 million more than Ps. 1,506.3 reported in 2006. In 2007, taxes recognized by the Company amounted to Ps. 312.7 million, a decrease with respect to the Ps. 599.1 million recognized in 2006, primarily due to a unique charge amount in deferred taxes recognized at the end of 2006, due to the tax rate increase that affected the poultry industry and consequently our Company in fiscal year 2007.

#### Net income

Net income was Ps. 1,272.2 million in 2007, 40.2% higher than the Ps. 907.1 million reported in 2006. Earnings per share of Ps. 2.12 (US\$ 2.33 per ADR), compared to Ps.1.51 (US\$ 1.66 per ADR) reported in 2006.

#### Income Tax, Asset Tax and Flat Rate Business Tax, Year 2008

We, and each of our subsidiaries file separate income tax returns. Bachoco, the main subsidiary is subject to the simplified regime, which rate was 16% in 2005 and 2006 and since 2007 it is 19%. This regime is applicable to

agriculture, cattle-raising, and fishing among a few others.

In 2007, a new law was approved which partially revoked the Asset Tax Law. Pursuant to the new law, as of 2007, the applicable asset tax rate was 1.25% rate and liabilities were no longer deductible from the asset tax base. Through December 31, 2006, the applicable asset tax rate had been 1.8% of the average value of most assets and net of certain liabilities. The asset tax in 2006 and 2007 amounted to Ps 28.3 million and Ps 27.2 million, respectively. In each of the two years we credited against these amounts the income tax paid.

During 2007, we recognized an additional liability of Ps. 288.6, in order to account for the difference between deferred taxes as calculated under the asset and liability method and deferred taxes as calculated under the stockholders' equity method. Then, effective January 1, 2008, we adopted Mexican FRS D-4, which supersedes Bulletin D-4 and establishes the assets and liability method as the only approved method for calculating deferred taxes. Consequently, we proceeded to reverse the Ps. 288.6 of additional liability which was recognized in 2007 against consolidated retained earnings in 2008. See Note 16-e and 16-e to the Consolidated Financial Statements for more detail.

As of December 31, 2008, we had Ps. 4.5 million in asset tax credits. See Note 16-c to the Consolidated Financial Statements for more detail.

In 2008, we recognized a total income, deferred and asset tax credit of Ps. 274.0 million (an effective income tax rate of 24.1%). This credit resulted mainly from the Company's net loss in 2008. By comparison, the Company had a total income tax and asset charge of Ps. 312.7 million in 2007 and Ps.599.1 million in 2006.

The Flat-Rate Business Tax (FRBT or IETU in Spanish) law was published in the Official Gazette on October 1, 2007. This Law came into effect as of January 1, 2008 and abolished the Asset Tax Law.

The FRBT rate is 16.5% for 2008, 17.0% for 2009 and 17.5 for 2010 and thereafter based on cash flows and certain limited deductions.

FRBT credits derive principally from the unamortized negative FRBT base and salary credits and social security contributions, as well as credits derived from the deduction of certain investments, such as inventories and fixed assets, during the transition period, which began starting on the date on which the FRBT came into force.

FRBT shall be payable only to the extent it exceeds income tax for the same period. Should a negative FRBT base be determined because deductions exceed taxable income, there will be no FRBT payable. The amount of the negative base multiplied by the FRBT rate results in a FRBT credit, which may be applied against income tax for the same year or, if applicable, against FRBT payable in the next ten years.

In 2008, we recognized a total FRBT of Ps. 0.1 million. We cannot assure a similarly low FRBT in future years.

For a more detailed discussion on this topic, please see Note 16 to our Consolidated Financial Statements. We and each of our subsidiaries file individual tax returns and may be subject to different tax regimes.

## Reconciliation to U.S. GAAP

To be filed no later than the fifteenth calendar day following the prescribed due date of this Annual Report.

## Use of Estimates in Certain Accounting Policies

In preparing our consolidated financial statements, we make estimates concerning a variety of matters. Some of these matters are highly uncertain, and the estimates involve judgments based on the information available to us. The discussion below identifies matters for which the financial presentation would be materially affected (a) if we relied on different estimates that we could reasonably use, or (b) if in the future we change our estimates in response to changes that are reasonably likely to occur.

The discussion below addresses only those estimates that we consider most important based on the degree of uncertainty and the likelihood of a material impact if we used a different estimate. There are many other areas in which we use estimates about uncertain matters, but the reasonably likely effect of changed or different estimates would not be material to our financial presentation.

## Estimated Useful Lives of Property, Plant and Equipment

We estimate the useful lives of our property, plant and equipment in order to determine the amount of depreciation expense to be recorded in each period. The current estimates of useful lives are based on estimates made by an independent appraiser in 1996. Those estimates have been adjusted when applicable, based on historical experience with similar assets that we own.

Accumulated depreciation expense for property, plant and equipment in 2008 amounted to Ps. 7.2 billion. As applied to our 2008 financial results, the depreciation was Ps.616.4 million, or 3.1% of our net revenues. For further explanation, see Notes 2-h and 7 to the Consolidated Financial Statements.

## Allowance for Productivity Declines

The allowance for decline in productivity of our breeder chickens and swine is estimated based on expected future life under straight line method. See Note 2g in our Consolidated Financial Statements for more detail.

## Inventory Valuation

### Inventories

At December 31, 2008, our inventories are stated at the lower of historical cost determined by the average cost method or market (replacement cost), provided that replacement cost is not less than net realizable value.

Our inventories at December 31, 2007 were stated using the specific-cost method. The stated value of inventories is not in excess of net realizable value

## Agriculture

Our Consolidated Financial Statements recognize the requirements of Mexican FRS E-1, "Agriculture", which establishes the rules for recognizing, measuring, presenting and disclosing biological assets and agricultural products.

Mexican FRS E-1 requires biological assets and agricultural products (the latter at the time of harvesting) to be valued at their fair value, net of the estimated costs at the point of sale. Bulletin E-1 also establishes that whenever the fair value cannot be determined in a reliable, verifiable and objective manner, the assets are to be valued at their production cost, net of impairment loss.



The allowance for decline in the productivity of breeder chickens and pigs is estimated based on expected future life under the straight-line method.

Agricultural products are live chickens, processed chickens, commercial eggs and pigs available for sale. The Company's biological assets are comprised of poultry in their different stages, incubatable eggs and breeder pigs.

Broiler chicks less than six and a half weeks old, incubatable eggs, breeder pigs and laying hens are valued at production cost since it is not possible to determine their fair value in a reliable, verifiable and objective manner.

Broilers more than six and a half weeks old through their date of sale are valued at fair value net of estimated point-of-sale costs, considering the price per kilogram of processed chicken at the valuation date.

Processed chicken and commercial eggs are valued at fair value net of estimated point-of-sale costs, considering the price per kilogram of processed chicken and commercial eggs at the time such items are considered as agricultural products. From such date through the date of sale, the fair value is considered to be the cost of processed chicken or commercial eggs, not in excess of net realizable value.

We are exposed to financial risks due to changes in the price of chicken. We estimate that the price of chicken will not fall significantly in the future; consequently, we have not entered into any derivative agreement or any other type of agreement to offset the risk of a drop in the price of chicken.

For more details, see "Inventories and biological assets" in Note 6 of the Consolidated Financial Statements.

#### Allowance for Doubtful Accounts

Our policy is to record an allowance for doubtful accounts for balances which are not likely to be recovered. In establishing the required allowance, management considers historical losses taking into account current market conditions and our customer's financial conditions, the amount of receivables in dispute, the aging of our current receivable aging, and the collectibility of our current receivables based on individual payment patterns. Accounts which are more than 60 days overdue are reviewed individually for collectibles. See Note 2-f to our Consolidated Financial Statements for more detail.

#### Pension Plan

We have a retirement plan in which all non-union workers participate. Pension benefits are based on the salary of workers in their final three years of service, the number of years worked and their age at retirement. See Note 2-m and Note 14 to our Consolidated Financial Statements.

This plan includes:

- § Defined contribution plan: This fund consists of employee and Company contributions. The employee contribution percentage ranges from 1.0% to 5.0%. The Company contribution ranges from 1.0% to 2.0% in the case of employees with less than 10 years' seniority, and the same contribution percentage as the employee (up to 5.0%) when the employee has more than 10 years' seniority.

§ Defined benefit plan: This fund consists solely of Company contributions and covers the Company's labor obligations with each employee.

Seniority premiums and severance payments are paid to workers as required by Mexican labor law.

We recognize the liability for pension benefits, seniority premiums and termination benefits (severance payments), based on independent actuarial computations using the projected unit-credit method and financial assumptions net of inflation.

#### B. Liquidity and Capital Resources

Our working capital (current assets less current liabilities) decreased year over year from Ps.6.5 billion on December 31, 2007 to Ps.4.6 billion on December 31, 2008. Said decrease was mainly due to a decrease in the cash and investments current assets accounts, and increases in the accounts payable and derivatives financial instruments current liabilities accounts. The ratio of current assets to current liabilities on December 31, 2008 was 2.4.

Cash and cash equivalents were Ps.2.0 billion on December 31, 2008, representing a decrease of Ps.1.0 billion or 34.3% from the previous year. The decrease was primarily due to larger inventories, increase in our level of capital expenditures and losses in our financial instrument positions.

Inventories were Ps.4.0 billion as of December 31, 2008, representing an increase of Ps.644.3 million or 19.4% from the previous year, due mainly to larger inventories and higher cost of raw materials.

Total debt, including the current portion of long term debt, equaled Ps.625.9 million as of December 31, 2008, much higher than the Ps. 109.6 million reported as of December 31, 2007. This increase is due to new debt obligations we entered into in order to guarantee our liquidity under highly volatile conditions.

Long term debt on December 31, 2008 represented 2.7% of our capitalization, compared to 0.3% reported on December 31, 2007.

Stockholders' equity decreased to Ps.14.1 billion on December 31, 2008 from Ps.15.1 billion on December 31, 2007.

In 2008, capital investments amounted to Ps. 1.1 billion, all of which were financed from resources generated from our own operations. These capital investments were used mainly to finance productivity projects, production growing capabilities and infrastructure improvements to keep facilities in good operating conditions.

We are a holding company with no significant operations of our own. We principally engage in transactions with our subsidiaries. We will have distributable profits and cash to pay dividends only to the extent that we receive dividends from our subsidiaries, principally BSACV. The amount of dividends payable by our subsidiaries and us is also subject to general limitations under Mexican corporate law. See our Consolidated Statement of Cash Flow in our Consolidated Financial Statements for more details.

We consider our current level of working capital to be sufficient for our operations.

We expect to finance our capital expenditures, additional working capital, and debt service obligations from our current liquidity and capital resources, cash flows and from additional borrowings from our existing sources of debt financing, although we will also consider other sources of debt financing if they are available on advantageous terms. For a discussion of our use of hedging instruments, please see Note 10 of our Consolidated Financial Statements.

We entered into operating leases for certain offices, production sites, computer equipments, and automobiles. These agreements have terms ranging between one and five years period and some of them contain renewal options. Rental expenses under these leases for 2006, 2007 and 2008 were Ps. 124.0, Ps. 153.2 million and Ps. 167.9 million, respectively.

C. Research and Development, Patents and Licenses, etc.

None

D. Trend Information

For a description of trends in our product lines see Item 3: “General – Trend in Product Prices” above.

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements of the type that we are required to disclose under Item 5.E of Form 20-F.

F. Tabular Disclosure of Contractual Obligations

Our major categories of indebtedness included the following:

As of December 31, 2008 we have Ps. 234.2 million in notes payable to banks and current installments of long term debt.

Long term debt to banks, as of December 31, 2008, was Ps.391.7 million outstanding (excluding current portion), which is higher than Ps. 50.8 million in the same date of 2007. The weighted average interest rates on long term debt for 2007 and 2008 were 7.8% and 12.9% respectively. See Note 9 of the Consolidated Financial Statements for more detail.

The following table summarizes long-term debt as of December 31, 2008. The table does not include short term debt, accounts payable or pension liabilities.

Payments Due by Period  
(millions of constant pesos as of December 31, 2008)

Contractual Obligations	Total	2010	2011	2012	2013
Long-term debt	Ps. 391.6	360.9	15.3	11.5	Ps. 3.9
Operating leases	Ps. 227.8	70.5	69.0	68.2	Ps. 20.1

G. Safe Harbor

Not applicable.



## ITEM 6. Directors, Senior Management and Employees

## A. Directors and Senior Management

## Directors

The Board of Directors is responsible for the management of our business. The Board of Directors consists of an odd number of directors, never fewer than five, and corresponding alternate directors, each of whom is elected for a term of one year.

Before September 2006, holders of Series B Shares elected directors and alternate directors at a general ordinary stockholders' meeting, while holders of Series L Shares had the right to appoint or elect two directors and two alternate directors to the Board of Directors.

Since September 2006, we have only Series B Shares with full voting rights.

Alternate directors are authorized to serve on the Board of Directors in place of directors who are unable to attend meetings or otherwise participate in the activities of the Board of Directors.

The following table identifies our directors, alternate directors, Honorary Chairman of the board and Secretary of the board as of June 2009, their positions and their years of service:

Name	Position	Years as a Member of the Board of Directors
Enrique Robinson Bours Almada	Honorary Chairman of the board	55
Mario Javier Robinson Bours Almada	Life Honorary Shareholder Director	55
Francisco Javier R. Bours Castelo	Chairman of the Board and Proprietary Shareholder Director	27
Eduardo Rojas Crespo	Secretary of the Board	1
Jose Gerardo Robinson Bours Castelo	Proprietary Shareholder Director	1
Juan Bautista Salvador Robinson Bours	Proprietary Shareholder Director	55
Jesús Enrique Robinson Bours Muñoz	Proprietary Shareholder Director	15
Jesús Rodolfo Robinson Bours Muñoz	Proprietary Shareholder Director	7
Arturo Bours Griffith	Proprietary Shareholder Director	15
Octavio Robinson Bours	Proprietary Shareholder Director	12
Ricardo Aguirre Borboa	Proprietary Shareholder Director	15
José Eduardo Robinson Bours Castelo	Alternate Director	15
Juan Salvador Robinson Bours Martínez	Alternate Director	15
José Francisco Bours Griffith	Alternate Director	15
Guillermo Pineda Cruz	Alternate Director	15
Avelino Fernández Salido	Independent Director	6
Humberto Schwarzbeck Noriega	Independent Director	6

- Enrique Robinson Bours Almada, Mario Javier Robinson Bours Almada and Juan Bautista Salvador Robinson Bours are brothers.

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Francisco Javier R. Bours Castelo, José Gerardo Robinson Bours Castelo and José Eduardo Robinson Bours Castelo are sons of Mario Javier Robinson Bours.

- Arturo Bours Griffith, José Francisco Bours Griffith and Octavio Robinson Bours are nephews of Enrique Robinson Bours Almada, Mario Javier Robinson Bours Almada and Juan Bautista Salvador Robinson Bours.
- Jesús Enrique Robinson Bours Muñoz and Jesús Rodolfo Robinson Bours Muñoz are sons of Enrique Robinson Bours Almada.
  - Juan Salvador Robinson Bours Martínez is the son of Juan Bautista Salvador Robinson Bours.
- Guillermo Pineda Cruz is the son-in-law of Enrique Robinson Bours Almada, and Ricardo Aguirre Borboa is the son-in-law of Juan Bautista Salvador Robinson Bours.

Our bylaws provide for the creation of an executive committee of the Board of Directors, which may exercise certain of the Board's powers in full, subject to certain limitations.

Mr. Enrique Robinson Bours Almada, Chairman of the board and co-founder of the Company is retired in April 2002. Mr. Bours led the Company for 50 years. The Board named as his successor Mr. Javier Robinson Bours Castelo, Mr. Enrique Robinson Bours's nephew. Mr. Bours Castelo has been at Bachoco for 27 years as a member of the board and served as Vice-Chairman for nine years.

Mr. Mario Javier Robinson Bours Almada, member of the Board of Directors retired in April 2008, and was named as a Life Honorary Proprietary Shareholder Director. On the same date, the Board named Mr. José Gerardo Robinson Bours Castelo as a Proprietary Shareholder Director in the place of Mr. Mario Javier Robinson Bours Almada.

In order to fully comply with current Mexican Corporate and Securities Market Laws in which Bachoco's Shares are traded, we ratified our Board of Directors at our stockholders' meeting held on April 22, 2009. As of June 2009, our Board of Directors is composed of the following members:

Proprietary Shareholder Directors:

Francisco Javier R. Bours Castelo (Chairman of the Board)  
Jose Gerardo Robinson Bours Castelo  
Juan Bautista S. Robinson Bours Almada  
Jesús Enrique Robinson Bours Muñoz  
Jesús Rodolfo Robinson Bours Muñoz  
Arturo Bours Griffith  
Octavio Robinson Bours  
Ricardo Aguirre Borboa

Alternate Directors:

José Eduardo Robinson Bours Castelo  
Juan Salvador Robinson Bours Martínez  
José Francisco Bours Griffith  
Guillermo Pineda Cruz

Independent Directors:

Avelino Fernández Salido  
Humberto Schwarzbeck Noriega

Life Honorary Chairman of the Board:

Enrique Robinson Bours Almada





Life Honorary Shareholder Director:  
Mario Javier Robinson Bours Almada

Secretary of the Board of Directors:  
Eduardo Rojas Crespo

Francisco Javier R. Bours Castelo, Chairman of the Board of Directors, has been a member of the board for 27 years, and has been Chairman since 2002. Before that, he was Vice-Chairman for several years. Mr. Bours holds a degree in Civil Engineering from the Instituto Tecnológico y de Estudios Superiores Monterrey (ITESM). He currently serves as Chairman of the Boards of Directors of the following companies: Megacable Holdings, S.A.B. de C.V., Congeladora Hortícola, S.A. de C.V., Inmobiliaria of Trento S.A. de C.V., Acuícola Boca S.A. de C.V., Agriexport S.A. de C.V., Industrias Boca, S.A. de C.V., and Promotora Empresarial del Noroeste, S.A. de C.V.

José Gerardo Robinson Bours Castelo, Proprietary Shareholder Director, is member of the board since April, 2008. He previously served as Systems Manager. Mr. Bours, holds a degree in Computer Engineering from the Instituto Tecnológico y de Estudios Superiores Monterrey (ITESM). He currently serves as member of the following companies: Grupo Megacable, S.A. de C.V., Congeladora Hortícola, S.A. de C.V., Acuícola Boca, S.A. de C.V., Industrias Boca, S.A. de C.V. and Promotora Empresarial del Noroeste, S.A. de C.V. He is also Chairman of Fundación Mexicana para el Desarrollo Rural del Valle del Yaqui and Instituto Tecnológico y de Estudios Superiores de Monterrey Campus Obregón.

Juan Bautista S. Robinson Bours Almada, Proprietary Shareholder Director, has been a member of the board for 55 years and is a co-founder of Industrias Bachoco S.A.B. de C.V.

Jesús Enrique Robinson Bours Muñoz, Proprietary Shareholder Director, has been a member of the board for 15 years, having previously served as Production Director and Divisional Manager. Mr. Robinson Bours holds a degree in Engineering from the University of Arizona. He is also a member of the Board of Directors of San Luis Corporación S.A. de C.V., and Megacable S.A. de C.V.

Jesús Rodolfo Robinson Bours Muñoz, Proprietary Shareholder Director, has been a member of the board for 7 years. Mr. Robinson Bours previously served in the Company as Production Manager in the Northwest and Bajío divisions, Commercial Manager in Northwest Division and Purchasing Manager at the Bajío Division. Mr. Robinson Bours holds a degree in Agricultural Engineering from the University of Arizona. He has business experience in agriculture and raising livestock with Agrícola Monte Cristo S.A. de C.V., Agrícola Río Yaqui S.P.R. de R.L., Agrícola Nacapul S.P.R. de R.L. and Ganadera Cocoreña S.P.R. de R.L., Chairman of the Board of Centro Cultural Cocorit and Manager of the Museum of the Yaqui Indians.

Arturo Bours Griffith, Proprietary Shareholder Director, has been a member of the board for 15 years. Mr. Bours Griffith completed professional studies at the University of Arizona. He is also Chairman of the board of Qualyplast, S.A. de C.V., and a member of the board of Megacable, S.A. de C.V., Promotora Empresarial del Noroeste, S.A. de C.V., and Taxis Aereos del Noroeste, S.A. de C.V.

Octavio Robinson Bours, Proprietary Shareholder Director, has been a member of the board for 12 years. Mr. Robinson Bours holds a degree in Agricultural Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He has experience in producing swine, and is also a member of the board of Choya, S.A. de C.V., and Granos Santa Fe, S.A. de C.V.

Ricardo Aguirre Borboa, Proprietary Shareholder Director, was also an Independent Director until April 2007. Mr. Aguirre has been a member of the board for 15 years. He is also a member of the Board of Directors

of the newspaper El Debate and he holds a degree in Agricultural Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He has experience in agriculture and pork production. Mr. Aguirre Borboa is also member of the board of Gasolinera Servicios del Valle del Fuerte S.A. de C.V., Periódico el Debate de los Mochis, and Tepeyac Produce, Inc.

José Eduardo Robinson Bours Castelo, Alternate Director, has been a member of the board for 15 years. Mr. Robinson Bours holds a degree in Industrial Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He was previously Commercial Director of Industrias Bachoco, a Senator of the Mexican Congress and is currently governor of the state of Sonora.

Juan Salvador Robinson Bours Martínez, Alternate Director, has been a member of the board for 15 years, and has served Bachoco as Purchasing Manager. Mr. Robinson Bours holds a degree in Industrial Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). His other appointments include Chairman of the board and CEO of Llantas y Accesorios, S.A. de C.V.

José Francisco Bours Griffith, Alternate Director, has been a member of the board for 15 years. He holds a degree in Civil Engineering from the Universidad Autónoma de Guadalajara. Mr. Robinson Bours has worked at Bachoco as Engineering Manager. He is currently dedicated to agricultural operations and has run an aquaculture farm for nine years.

Guillermo Pineda Cruz, Alternate Director, has been a member of the board for 15 years. He is also a member of the Board of Directors of Banamex and was a regional member of the Board of Directors of Grupo Financiero Serfín, Inverlat and Invermexico. Mr. Pineda holds a degree in Civil Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and a master's degree in Business Administration from the Instituto Tecnológico de Sonora (ITSON). He co-founded Edificadora Pi Bo, S.A. de C.V. in 1983 and is its President and CEO.

Avelino Fernández Salido, Independent Director, is member of the board since 2003. He is also a member of the board of Banco Nacional de México, BBVA Bancomer, and Banca Serfín. His business experience is in the marketing of grains.

Humberto Schwarzbeck Noriega, Independent Director, is member of the board since 2003. He holds a degree in economics from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He is currently CEO of Yeso Industrial de Navojoa S.A. de C.V. and Chairman of the Board of Promotora de Manufacturas S.A. de C.V.

Eduardo Rojas Crespo, was named Secretary of the Board of Directors on April 23, 2008. Mr. Rojas has worked for Bachoco since 2004 as our Chief Legal Officer. Before joining Bachoco, Mr. Rojas worked for 10 years as the Chief Legal Officer of Grupo Fimex. He holds a law degree from the Universidad Nacional Autónoma de México (UNAM) and a post-graduate diploma in Environmental Law and Due Diligence and a master's degree in Corporate Laws, both from the Anáhuac University.

Executive Officers

Our executive officers as of June 2008 are set forth in the table below:

Name	Position	Age
Cristóbal Mondragón Fragoso	Chief Executive Officer	63
Daniel Salazar Ferrer	Chief Financial Officer	44
David Gastélum Cazares	Director of Sales	57
José Luis López Lepe	Director of Personnel	63
Rodolfo Ramos Arvizu	Technical Director	51
Ernesto Salmón Castelo	Director of Operations	46
	Director of Marketing and	40
Andres Morales Astiazaran	Value-added Products	
Marco Antonio Esparza Serrano	Comptroller Director	53

Cristóbal Mondragón Fragoso, Chief Executive Officer, joined us in 1982 and assumed his current position in 2001. Previously, Mr. Mondragón served as Administration Manager, as Manager of Corporate Finance and as Chief Financial Officer. Before joining us, Mr. Mondragón worked as an accountant for three years. Later he joined La Hacienda, S.A. de C.V., where he held the positions of Auditor, Accountant, Head of Processing Systems, Audit Manager, Administration Manager and Comptroller. Mr. Mondragón holds an Accounting degree from Universidad Nacional Autónoma de México (UNAM).

Daniel Salazar Ferrer, Chief Financial Officer, joined us in 2000 and assumed his current position in January 2003. Previously, Mr. Salazar worked for four years as Chief Financial Officer at Grupo Covarrubias and as Comptroller at Negromex, a company of Grupo Desc. Mr. Salazar holds an Accounting degree from Universidad Tecnológica de México and a master's degree in Business Administration from Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM).

David Gastélum Cazares, Director of Sales, joined us in 1979 and assumed his current position in 1992. Previously, Mr. Gastélum served as a pullet salesman in the states of Sonora and Sinaloa, National Sales Manager of Live Animals and Eggs, Manager of the Northwest Division, Manager of the México City Division and National Sales Manager. Before joining us, Mr. Gastélum worked at La Hacienda, S.A. de C.V. as Technical Advisor and as Area Officer for the Southeast Division. Mr. Gastélum holds a degree in Veterinary Medicine from the school of Veterinary Medicine of Universidad Nacional Autónoma de México (UNAM).

José Luis López Lepe, Director of Personnel, joined us in 1993. Previously, Mr. López worked as a teacher in several institutions as well as with Grupo Condumex, where he was Director of Personnel. Mr. López holds a degree in Physics and Chemistry from the Escuela Normal Superior and a degree in Business Administration from Instituto Tecnológico Autónomo de México.

Rodolfo Ramos Arvizu, Technical Director, joined us in 1980. Previously, Mr. Ramos held positions in the Egg Quality Control Training Program and in Poultry Management as well as serving as Supervisor of the Commercial Egg Production Training Program, Manager of Raw Material Purchasing and as a Director of Production. Mr. Ramos holds a degree in Agricultural Engineering from Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM).

Ernesto Salmón Castelo, Director of Operations, joined us in 1991 and assumed his current position in 2000. Previously, Mr. Salmón worked for Gamesa, S.A. de C.V. and for us as Sales Manager in Sonora, Northwestern Distribution Manager, Manager of the Processing Plant in Celaya, Southeastern Division Manager and Bajío Division Manager. Mr. Salmón holds a degree in Chemical Engineering from Instituto Tecnológico de Sonora

and a master's degree in Business Administration from Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM).

Andrés Morales Astiazaran, Director of Marketing and Value-added Products since July 2006. Before joining us, Mr. Morales worked during 4 years as Sales and Marketing Vice President in Smithfield Foods a U.S. Company with offices in Sonora, Mexico. Previously Mr. Morales worked for Bachoco as Marketing Manager, Manager of the Northeast division and then as National Manager of Bachoco. Mr. Morales holds an accounting degree from Instituto Tecnológico de Monterrey (ITESM) and marketing courses by the universities of Northwestern University (Kellog), University of Chicago, ITESM and the IPADE (D1).

Marco Antonio Esparza Serrano, Comptroller Director since March 2009. Before joining Bachoco, Mr. Esparza worked for more than 25 years in the pharmaceutical industry for three multinational companies, two American companies and one German company. During that time, Mr. Esparza managed and directed every area within Finance and Administration as Accounting Manager, Tax Manager Comptroller, Financial Planning Director and Finance Director. Mr. Esparza holds a degree in public accounting and several post-graduate diplomas in Business Administration, Economics and Direction of Enterprises from universities such as Instituto Politecnico Nacional, University of California at Berkeley, Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM), University of Almeria Spain and IPADE.

#### Statutory Auditor

According with the Mexican Securities Market Law, the Statutory Auditor is no longer required for public companies as of June 2006. The activities of the Statutory Auditor will be performed by the Audit Committee.

#### Audit Committee

In January 2001, the Mexican Commission of Business Leaders (Consejo Coordinador Empresarial), with the support of the Comisión Nacional Bancaria y de Valores (Mexican Banking and Securities Commission, or “CNBV”), issued a Código de Mejores Prácticas Corporativas (“Code of Best Practices”) for publicly traded Mexican companies, recommending certain actions with respect to various areas of corporate governance. Subsequently, the Securities Market Law was amended, effective June 2006, to require that all publicly traded Mexican companies have an audit committee.

The mandate of the Audit Committee is to establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable and accurately reflects our financial position. In particular, pursuant to our bylaws and Mexican law, among others, the Audit Committee must do the following:

- (a) Submit an annual report to the Board of Directors;
- (b) Provide the Board of Directors with its opinion on the matters that pertain to the Auditing Committee, in accordance with the Securities Market Law;
- (c) Inform the Board of Directors of the current condition of the internal controls and internal auditing system of the Company or of the entities it controls, including any irregularities detected;
- (d) Require the relevant directors and other employees of the Company, or of the entities it controls, to provide reports relative to the preparation of the financial information or any other kind of reports or information it deems appropriate to perform its duties;

- (e) Receive observations formulated by shareholders, Board members, relevant officers, employees and, in general, any third party with regard to the matters under the Audit Committee duties, as well as carry out the actions that, in its judgment, may be appropriate in connection with such observations;
- (f) Inform the Board of Directors of any material irregularities detected as a result of the performance of its duties and, as applicable, inform the Board of Directors of the corrective actions taken, or otherwise propose the actions that should be taken;
- (g) Call Shareholders Meetings and cause the items it deems pertinent to be inserted into the agendas of such Shareholders' Meetings, and
  - (h) Assist the Board of Directors in selecting candidates for audit and reviewing the scope and terms of the auditor's engagement, as well as evaluate the performance of the entity that provides the external auditing services and analyze the report, opinions, statements and other information prepared and signed by the external auditor.

In order to fully comply with current Mexican Corporate and Securities Market Laws, we named an audit committee on April, 2003.

There were changes in the audit committee during the ordinary stockholder's meeting held on April 25, 2007; Mr. Francisco Javier R. Bours Castelo is no longer a member of the audit committee and the audit committee is now comprised of the following members:

Avelino Fernández Salido (President)  
Humberto Schwarzbeck Noriega  
Ricardo Aguirre Borboa

Mr. Ricardo Aguirre Borboa represents the controlling shareholders and has no voting rights in the audit committee.

#### B. Compensation

For the year ended December 31, 2008, we paid approximately Ps.38.5 million in aggregate compensation to our directors and executive officers, for services they rendered in their respective capacities.