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

Ciudad Industrial C.P. 38010
Celaya, Guanajuato, México
(Address of principal executive offices)

Daniel Salazar Ferrer
Avenida Tecnológico No. 401
Ciudad Industrial C.P. 38010
Celaya, Guanajuato, México
Telephone: (+011-52-461-618-3555)
Facsimile: (+011-52-461-611-6502)
Email: inversionistas@bachoco.net
(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 x

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 x 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 x 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).

Yes x 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 x	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 x

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 x

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 x

(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.

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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," "forec "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.

	As of and for the year ended December 31,					
	2004	2005	2006	2007	2008	2008(2)
Income Statement Data	(in millions of constant pesos as of December 31, 2007 for years 2004 – 2007 and in millions of nominal pesos for year 2008)(1)					(millions of U.S. dollars)(1)
Mexican FRS:						
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
Statement of Financial Position Data						
Mexican FRS:						
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
Selected Operating Data						
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	
Margins						
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):

	Exchange Rate(1) (in current pesos per U.S. dollar)			
Year Ended December 31,	High	Low	Average(2)	Year End
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.

	Exchange Rate(1) (in current pesos per U.S. dollar)	
Period	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 Depository 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 Depository 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 beneficed 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 cyclicality, 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 depositary 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 Bajio, 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:
  - Continued to update our transportation fleet, farms, processing plants and feed mills, which expenditures continue to the present;
  - Increased capacity, mainly for the production of live chickens and;
  - 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:
  - Began the construction of the new complex in the state of Sonora.
  - Finished the construction of our new feed mill in the state of Aguascalientes;
  - Increased capacity in the production of live chicken;
  - Increased capacity of the secondary processor at some of our processing plants; and
  - Updated our transportation fleet, processing plants and feed mills.
- In 2008, we made capital expenditures of Ps. 1,098.8 million, with which we:
  - Increased capacity and implemented new technology in the processing plants located in Celaya and Culiacán.
  - Increased chicken capacity in farms located in Mérida and Veracruz.
  - Finished the construction of new farms located in Ciudad Obregón and Hermosillo.
  - Began the construction of new farms located in the state of Chiapas.
  - 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 (rosticerías 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 rosticerías, 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 rosticerías 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 Inustria 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, Coatzacoalcos, 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%

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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.

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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.

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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-tem 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 Propriety 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

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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 Bajio divisions, Commercial Manager in Northwest Division and Purchasing Manager at the Bajio 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
Andres Morales Astiazaran	Director of Marketing and Value-added Products	40
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. Gastelúm 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 Bajio 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.

C. Board Practices

In 2001, we changed the composition of our board and appointed an audit committee. See "Directors" and "Audit Committee."

We do not have any special agreements or contracts with any member of our board. All of our board members are subject to the specific expiration dates of their current terms of office.

D. Employees

As of December 31, 2006, 2007 and 2008, we had approximately 21,035, 23,088 and 23,248 employees, respectively.

In 2008, approximately 64.6% of our employees were members of labor unions. Labor relations with our employees are governed by 49 separate collective labor agreements, each relating to a different group of employees and negotiated on behalf of each such group by a different labor union. As is typical in México, wages are renegotiated every year while other terms and conditions of employment are renegotiated every two years. We seek to attract dependable and responsible employees to train at each of our plants and facilities. We offer our employees attractive salary and benefit packages, including a pension and savings plan.

We believe that we have good relations with our employees. We have not experienced significant work stoppages as a result of labor problems.

E. Share Ownership

To the best of our knowledge, no individual director or managers holds share ownership of more than one percent of our Shares. At this time, we have not developed a share options plan for our employees.

ITEM 7. Major Stockholders and Related Party Transactions

Before September 2006, our Common Stock consisted of 450,000,000 Series B Shares and 150,000,000 Series L Shares. Holders of Series B Shares were entitled to one vote at any general meeting of our stockholders for each Series B Share held. Holders of Series L Shares were entitled to one vote for each Series L Share held, but only with respect to certain matters. We had UBL Units consisting of one Series B Share and one Series L Share and B Units consisting in two Series B Shares.

During the extraordinary meeting hold on April 26, 2006 Shareholders approved the Company’s plan to convert the Series L Shares into Series B Shares, with full voting rights, as well as the dissolution of UBL and UBB Units into their components Shares.

This process was completed in September 2006, and included two steps: separating the UBL and UBB Units trading on the Mexican Exchange into their component Shares and converting the Series L Shares into Series B Shares, thereby creating a single share class, the Series B Shares. These Shares are trading on the Mexican stock market. The ADS which trade on the NYSE still consist of twelve underlying Shares, but they are all Series B Shares, with full voting rights.

A. Major Shareholders

Control Trust

Initially in April 1995, the Robinson Bours Stockholders created the Control Trust to hold certain Units owned by members of the Robinson Bours family. The Robinson Bours Stockholders, through the Control Trust and a separate trust established in connection with our 1997 initial public offering (the “Family Trust”). Prior to the Share conversion in September 2005 described above, the Control Trust and the Family Trust were composed by:

Title of Class	Identity of Group	Amount Owned	Percent of Class
Series B(1)	Control Trust and Family Trust	398,250,000	88.5%
Series L(2)	Control Trust and Family Trust	98,250,000	65.5%
All Classes(3)	Control Trust and Family Trust	496,500,000	82.8%

(1) Percentage is based on 450,000,000 Series B Shares, including 300,000,000 Shares not registered under Section 12 of the Securities and Exchange Act of 1934.
(2) Percentage is based on 150,000,000 Series L Shares.
(3) Percentage is based on 600,000,000 Shares.

After the conversion of L Shares to B Shares, the Control Trust and the Family Trust own the same number of Shares (496,500,000 Shares or 82.75% of outstanding Shares). However, these Shares are all now Series B Shares.

In November 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.

Apart from the ownership set forth above, at the end of March 2009, Fidelity Low Priced Stock Fund and Fidelity Management & Research Co. each owned 4.7% of our Common Stock; equal to a total of 2,325,000 ADS's for each respectively.

In November 1998, in accordance with rules established by the CNBV, we established a reserve in the amount of Ps.180.0 million in nominal pesos, for the repurchase of Shares. At the end of 2008, the Company had repurchased zero Shares.

During our stockholders' meeting of April 22, 2009, we capped the share repurchase program for 2009 to a maximum amount of Ps.165.6 million. As of May 29, 2009, we had repurchased a total of 92,000 shares.

The following table sets forth the estimated percentages of the Shares held in México and other Countries as of December 31, 2008.

Year	Percentage
México	84.8%
Other Countries	15.2%

As of March 31, 2009, from the 100% of the total shares of the Company, we accounted for approximately 49 shareholders in the NYSE and 65 in the BMV.

B. Related Party Transactions

It is our policy not to engage in any transaction with or for the benefit of any stockholder or member of the Board of Directors, or any entity controlled by such a person or in which such a person has a substantial economic interest, unless (i) the transaction is related to our business and (ii) the price and other terms are at least as favorable to us as those that could be obtained on an arm's-length basis from a third party.

We have engaged in a variety of transactions with entities owned by members of the Robinson Bours family, all of which we believe were consistent with this policy and not material to our business and results of operations. All of these transactions are described below. See Note 5 to the Consolidated Financial Statements. We expect to engage in similar transactions in the future.

We regularly purchase vehicles and related equipment from distributors owned by various members of the Robinson Bours family. The total amount spent on such purchases was Ps. 63.5 million, Ps.95.8 million and Ps. 156.9 million for the years ended December 31, 2006, 2007 and 2008, respectively. The distribution of vehicles and related equipment is a highly competitive aspect of business in the areas in which we operate. We are not dependent on affiliated distributors and are able to ensure that the pricing and service we obtain from affiliated distributors are competitive with those available from other suppliers.

The Robinson Bours Stockholders own Taxis Aéreos del Noroeste, S.A. de C.V. (“TAN”), an air transport company that provides transportation for members of the Board of Directors to and from meetings at our headquarters in Celaya. We paid Ps.4.2 million, Ps.3.2 million and Ps. 2.1 for the years ended December 31, 2006, 2007 and 2008, respectively, for such transportation.

We purchased feed and packaging materials from enterprises owned by Robinson Bours Stockholders, the family of Enrique Robinson Bours and the family of Juan Bautista Robinson Bours. The cost of such purchases was Ps.251.9 million, Ps.192.8 million and Ps.427.7 million for the years ended December 31, 2006, 2007 and 2008, respectively.

Our accounts payable to related parties totaled Ps.26.8 million and Ps. 50.3 million as of ended December 31, 2007 and 2008, respectively. These transactions took place among companies owned by the same set of stockholders. See Note 5 to the Consolidated Financial Statements.

Neither we nor our subsidiaries have loaned any money to any of our directors or officers, controlling shareholders or entities controlled by these parties.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information

A. Consolidated Statements and Other Financial Information

Our Consolidated Financial Statements are included in Item 18. The financial statements were audited by independent registered public accounting firms and are accompanied by their audit reports.

On August 28, 2008, we announced that the Company’s Board of Directors, as per the Audit Committee’s recommendation, approved the selection of KPMG Cárdenas Dosal, S.C. as the Company’s independent auditor, effective as of August 27, 2008.

The financial statements include a consolidated balance sheet, consolidated statements of operations, consolidated statements of changes in stockholders’ equity, consolidated statements of changes in financial position, and consolidated statement of cash flows and notes relating to the consolidated financial statements.

The Consolidated Financial Statements have been prepared in accordance with Mexican FRS, which differ 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, and consolidated net income, a consolidated statement of changes in stockholders' equity and a consolidated cash flow statement under U.S. GAAP as of December 31, 2007 and 2008, and for the years ended December 31, 2006, 2007 and 2008.

Legal Proceedings

We are a party to certain legal proceedings in the ordinary course of our business. We believe that none of these proceedings, individually or in the aggregate, is likely to have a material adverse effect on the Company's consolidated financial positions and consolidated results of operations.

Dividends Policy

Pursuant to Mexican law and our bylaws, the declaration, amount and payment of annual dividends are determined by a majority vote of the shareholders, generally but not necessarily on the recommendation of the Board of Directors.

In 2006, 2007 and 2008, we declared and paid cash dividends at nominal values of Ps.353.9, Ps. 353.9 and Ps. 353.9 respectively (Ps. 378.1 and Ps.363.7 in constant Mexican pesos as at December 31 of 2006 and 2007 respectively).

Although there can be no assurance as to the amount or timing of future dividends, we expect to pay an annual dividend pro rata to holders of outstanding Shares in an amount of approximately the 20.0% of the prior year's net income. The declaration and payment of dividends will depend on our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors and the shareholders, including debt instruments which may limit our ability to pay dividends.

Because we are a holding company with no significant operations of our own, we will have distributable profits and cash to pay dividends only to the extent that we receive dividends from our subsidiaries, principally BSACV. Accordingly, there can be no assurance that we will pay dividends or of the amount of any such dividends. BSACV, our principal operating subsidiary, could, in the future, enter into loan agreements containing covenants whose terms limit its ability to pay dividends under certain circumstances.

Mexican law requires that 5.0% of our net income each year (after profit sharing and other deductions required by Mexican law) be allocated to a legal reserve fund until such fund reaches an amount equal to at least 20.0% of our capital stock. Mexican corporations may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up) and only after such allocation to the legal reserve fund. The level of earnings available for the payment of dividends is determined under Mexican FRS.

B. Significant Changes

Significant Changes in Accounting Practices

New Accounting pronouncements

The most important new accounting pronouncements that came into effect after December 31, 2007 are:

⇒Mexican FRS B-10, (Effects of inflation). As a result of the adoption of this FRS, at January 1, 2008, the stockholders' equity accounts were reclassified as shown on the consolidated statement of stockholders' equity. We present the 2007 and 2006 consolidated financial statements in constant pesos at December 31, 2007, the last date on which the comprehensive method for recognizing the effects of inflation was used.

⇒Mexican FRS D-3, (Employee Benefits). As a result of the adoption of this FRS, in 2008 the intangible asset of Ps. 28.3 million, previously recognized in the consolidated balance sheet as of December 31, 2007, and the labor obligation minimum liability adjustment of Ps. 2.5 million, previously recognized in the consolidated statement of stockholders equity as of December 31, 2007, were eliminated. Furthermore, amortization of unamortized items resulted in an approximate gain of Ps. 0.8 million during 2008.

⇒Mexican FRS D-4, (Taxes on income). Effective January 1, 2008, the asset and liability method became the only approved method to calculate deferred taxes. Therefore, we wrote off the Ps. 288.6 million of additional liability determined under the stockholders' equity method in 2007 against retained earnings.

⇒Mexican FRS B-2, (Statement of Cash Flow). As a result of the adoption of this FRS in 2008, the indirect method was used for the calculation of consolidated cash flows in 2008 while the consolidated statements of change in the financial position in 2006 and 2007 are presented as issued.

The CINIF has issued the following FRS, effective for fiscal years beginning after December 31, 2008:

⇒FRS B-7 “Business acquisitions”, FRS B-8 “Consolidated and combined financial statements”, FRS C-7 “Investments in associates and other permanent investments” and FRS C-8 “Intangible assets”.

We consider that the initial effects of these new FRS’s will not be material.

For more detail see Note 2-x and Note 20 to the Consolidated Financial Statements.

ITEM 9. The Offer and Listing

A. Offer and Listing Details

On September 19, 1997, Bachoco commenced trading on the Mexican Stock Exchange through Units (each comprised of one Series B Share and one Series L Share), and on the New York Stock Exchange through American Depositary Shares (“ADSs,” each comprised of six Units). The ADSs are evidenced by American Depositary Receipts (“ADRs”) issued by The Bank of New York, as Depositary under a Deposit Agreement among the Company, the Depositary and the holders from time to time of ADRs.

In September 2006, the Company separated the UBL and UBB Units into their components, and converted their Series L Shares into Series B Shares, on a one to one basis. Consequently, now all our Common Stock Shares are Series B Shares with full voting rights. This change had not modified the face value of the Shares.

As of April 30, 2009, there were 7,574,991 ADSs outstanding, representing 15.1% of the total Shares outstanding, which were held by approximately 50 holders.

The following tables set forth for each year from 2004 to 2008, for each quarter from 2007 and 2008 and for each complete month from December 2008 to May 2009, the high, low and close prices of the Shares on the Mexican Stock as reported by the Mexican Stock Exchange and the high, low and close price of the ADSs on the NYSE as reported by the New York Stock Exchange.

Mexican Stock Exchange
(Nominal pesos per Share)

Year	High	Low	Close
2004	13.35	8.50	13.10
2005	20.70	12.22	17.25
2006	23.70	15.70	23.66
2007	30.96	20.00	28.60
2008	30.15	14.21	15.99

New York Stock Exchange
(U.S.$ per ADS)

Year	High	Low	Close
2004	14.19	8.8	14.19
2005	23.02	12.87	19.50
2006	29.00	16.33	29.00
2007	35.11	24.10	31.81
2008	33.34	12.75	14.50

Mexican Stock Exchange
(Nominal pesos per Share)

Period	High	Low	Close
First Quarter 2007	28.00	20.00	25.80
Second Quarter 2007	30.08	25.89	28.60
Third Quarter 2007	30.96	24.00	29.50
Fourth Quarter 2007	29.02	23.00	27.01
First Quarter 2008	30.15	25.00	26.13
Second Quarter 2008	26.50	23.99	24.99
Third Quarter 2008	25.60	22.76	22.76
Fourth Quarter 2008	22.00	14.21	15.99

New York Stock Exchange
(U.S.$ per ADS)

Period	High	Low	Close
First Quarter 2007	30.75	24.10	28.34
Second Quarter 2007	33.55	28.51	32.25
Third Quarter 2007	35.11	27.14	32.06
Fourth Quarter 2007	32.61	26.04	30.77
First Quarter 2008	33.34	27.39	29.12
Second Quarter 2008	31.24	27.56	29.60
Third Quarter 2008	31.00	21.59	24.38

Fourth Quarter 2008	24.60	12.75	14.50

Mexican Stock Exchange
(Nominal pesos per Share)

Month	High	Low	Close
December 2008	18.00	14.21	15.99
January 2009	16.99	14.01	15.64
February 2009	18.00	13.03	13.03
March 2009	14.69	11.85	13.80
April 2009	17.48	13.00	17.48
May 2009	20.00	16.00	19.12

New York Stock Exchange
(U.S.$ per ADS)

Period	High	Low	Close
December 2008	16.50	12.75	14.50
January 2009	15.30	12.00	13.50
February 2009	15.29	9.60	11.70
March 2009	12.70	9.03	11.35
April 2009	15.00	11.58	15.00
May 2009	18.50	15.20	17.89

B. Plan of Distribution

Not applicable.

C. Markets

Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in México City, is the only stock exchange in México. Founded in 1894. Since 2008, the Mexican Stock Exchange has been a public company, The brokerage houses are currently the only entities authorized to trade on the floor of the Mexican Stock Exchange.

Trading on the Mexican Stock Exchange takes place principally through an automated inter-dealer quotation system known as SENTRA, which is open for trading between the hours of 8:30 a.m. and 3:00 p.m., México City time, each business day. Each trading day is divided into six trading sessions with ten-minute periods separating each session. Trades in securities listed on the Mexican Stock Exchange can, subject to certain requirements, also be realized off the Exchange. Due primarily to Mexican tax considerations, however, most transactions in listed securities are effected through the Exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in Shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the Units that are directly or indirectly (for example, through ADSs) quoted on a stock exchange outside México.

Settlement is effected two business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the CNBV. Most securities traded on the Mexican Stock Exchange are on deposit with S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., (Central Securities Depository for the Mexican Securities Market, or “Indeval”), a privately owned central securities depositary that acts as a clearing house, depositary, custodian and registrar for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities.

The Mexican Stock Exchange is one of Latin America's largest exchanges in terms of market capitalization, but it remains relatively small and illiquid compared to major world markets, and is therefore subject to greater volatility. There is no formal over-the-counter market for securities in México.

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries.

Market Regulation

The predecessor of the CNBV was established in 1946 to regulate stock market activity. The Ley del Mercado de Valores ("Securities Market Law") of 1975, as amended, regulates the securities markets and brokerage houses and sets standards for the registration of brokers in the Intermediaries Section of the Registro Nacional de Valores e Intermediarios (National Registry of Securities and Intermediaries, or "RNVI"), such registration being a prerequisite to becoming a member of the Mexican Stock Exchange. Prior to registration in the RNVI, a brokerage house must be authorized by the Ministry of Finance upon the recommendation of the CNBV. Legislative provisions under NAFTA allow foreign securities firms in a NAFTA country to establish and control brokerage firms in México. There are several foreign brokerage houses authorized to operate in México. In addition, a number of other foreign brokerage firms have submitted preliminary applications to be authorized to operate on the Mexican Stock Exchange. The Securities Market Law also empowers the CNBV to regulate the public offering and trading of securities. The governing committee of the CNBV is composed of representatives of the Ministry of Finance, the Mexican Central Bank, the Comisión Nacional de Seguros y Fianzas ("National Insurance and Bonding Commission"), the Comisión Nacional del Sistema de Ahorro para el Retiro ("National Retirement Savings Fund Commission") and the CNBV.

Under the Mexican Securities Market Law, the CNBV must be notified before stockholders of a company listed on the Mexican Stock Exchange effect one or more simultaneous or successive transactions resulting in the transfer of 10% or more of such company's capital stock. The holders of the Shares being transferred in the transactions are also obligated to inform the CNBV of the results of the transactions within three days of completion of the last transaction, or that the transactions have not been completed. The CNBV will notify the Mexican Stock Exchange of such transactions, without specifying the names of the parties involved.

The CNBV and the Mexican Stock Exchange must also be notified in the event of any of the following contingencies:

- on the following day of operation if any stockholder of a company listed on the Mexican Stock Exchange effects one or more transactions resulting in the ownership of more than 10% and less of 30% of capital stock;

- on the following day of operation if any Related Person increases his ownership of the stock of a company; and

- at least 15 days before the operation becomes effective if any stockholder of a company listed on the Mexican Stock Exchange undertakes in a Public Offering one or more transactions resulting in the ownership of more than 30% but less than 50% of capital stock.

In June 2006, the Ley del Mercado de Valores ("Securities Market Law") was updated. Our bylaws were also updated accordingly, which are available in an English version, in our web page.

Some of the changes, among others, were:

a) We had to change our name from "Industrias Bachoco S.A. de C.V." to "Industrias Bachoco, S.A.B. de C.V."

b) Defines more specifically the concept of "Control" or "Controlled"

c) Defines and assigns specific duties to the General Director or CEO.

d) Defines more precisely and widely the duties of the Board of Directors.

e) Assign more ample responsibilities to the audit committee.

f) The Statutory Auditor no longer exists for Public Companies, his duties were assumed by the Audit Committee.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Information regarding the memorandum and articles of association was included in the Initial Registration Form F-1, submitted in September 1997. In April 2002, we made changes to our bylaws, which were reported in our annual report for year 2002. In December 2003 and January 2007 we made further changes, the most important are summarized below. An English translation of our bylaws was submitted with our annual report for year 2006 and is incorporated by reference herein and is also available on our web page www.bachoco.com.mx. Aside from these changes, the information contained in the Initial Registration Form F-1 is applicable to this Annual Report.

The discussion set forth below contains information concerning our capital stock and a brief summary of the material provisions of the bylaws and applicable Mexican law. This summary does not purport to be complete and is qualified in its entirety by reference to the bylaws and the applicable provisions of Mexican law.

General

The Company was incorporated on April 17, 1980 as a variable capital corporation (sociedad anónima de capital variable) under the laws of México. To fully comply with Mexican laws, the Company modified its name to

Industrias Bachoco, S.A.B. de C.V. (sociedad anónima bursatil de capital variable) in April, 2007.

In 1995, our stockholders authorized the issuance of up to 15,525,000 additional Series B Shares and 15,525,000 additional Series L Shares, all constituting fixed capital, to be issued in connection with the global offering of Shares that took place on September 19, 1997 (the "Global Offering").

On April 21, 1997 we restructured our capital by (i) declaring a four-to-one stock split of the 106,678,125 Series B Shares and 35,559,375 Series L Shares outstanding, (ii) converting 7,762,500 Series L Shares (on a post-split basis) into Series B Shares and (iii) combining all of the 434,475,000 Series B Shares and 134,475,000 Series L Shares outstanding (in each case, on a post-split basis) into 134,475,000 Units and 150,000,000 B Units. Each Unit consisted of one Series B Share and one Series L Share. Holders of Units were entitled to exercise all the rights of holders of the Series B Shares and Series L Shares underlying their Units. Each B Unit consisted of two Series B Shares. B Units entitle the holders thereof to exercise all the rights of holders of the Series B Shares underlying such B Units. Immediately prior to the Global Offering, our outstanding capital stock consisted of 434,475,000 Series B Shares and 134,475,000 Series L Shares, all of which were duly authorized, validly issued and are fully paid and non-assessable.

Originally for a period of 10 years after the Global Offering, the Series B Shares will be issuable only in the form of Units and B Units, and the Series L Shares only in the form of Units. Commencing 10 years from the date of the Global Offering, Units will automatically separate into their component Series B Shares and Series L Shares, B Units will automatically separate into their component Series B Shares, and each Series L Share underlying the Units will automatically convert into one Series B Share.

During the annual shareholders meeting held on April 26, 2006, shareholders approved to proceed with the anticipated conversion of the Series L Shares into Series B Shares, which have full voting rights.

This conversion was effective in September 2006 and included two steps: separating the UBL and UBB Units currently trading on the Mexican Stock Exchange into their component Shares. The Series L Shares were converted into Series B Shares (on a one-to-one basis), thereby created a single share class, the Series B Shares, which represents all of our Common Stock. These Shares are currently trading on the Mexican Stock Market. Each ADS still consists of 12 underlying Shares, but they are all Series B Shares.

The Series B Shares had full voting rights and the Series L Shares had limited voting rights. Nevertheless the Series B Shares and the Series L Shares had the same economic rights. Each Series B Share entitled the holder thereof to one vote at any general meeting of the stockholders. The Series L Shares were entitled to vote only with respect to certain limited matters as described under "—Voting Rights and Stockholders' Meetings."

The Robinson Bours Stockholders have advised us that they intend to ensure that the Control Trust will hold at least 51% of the Series B Shares at any time outstanding. See "—Foreign Investment Legislation" in this Item.

Registration and Transfer

Series B Shares are evidenced by certificates in registered form, which may have dividend coupons attached. We maintain a registry and, in accordance with Mexican law, we recognize as stockholders only those holders listed in the stock registry. Stockholders may hold their Shares in the form of physical certificates (which, together with notations made in our stock registry, evidence ownership of the Shares) or through book entries with institutions that have accounts with Indeval.

Indeval is the holder of record in respect of Shares held through it. Accounts may be maintained at Indeval by brokerage houses, banks and other entities approved by the CNBV. Ownership of Shares maintained at Indeval is evidenced through Indeval's records and through lists kept by Indeval participants.

In accordance with Article 130 of the Ley General de Sociedades Mercantiles ("Mexican Corporations Law"), the Board of Directors must authorize any transfer of stock, or any securities based on such stock, when the number of Shares sought to be transferred in one act or a succession of acts, without limit of time or from one group of interrelated stockholders or stockholders who act in concert, constitutes 10% or more of the voting stock issued by the Company. If the Board of Directors refuses to authorize such a transfer, the Board must designate one or more purchasers of the stock, who must pay the interested party the prevailing price on the Mexican Stock Exchange. The Board must issue its resolution within three months of the date on which it receives the relevant request for authorization and in any case, must consider: (i) the criteria that are in the best interests of the Company, the Company's operations and the long-term vision of the activities of the Company and its Subsidiaries; (ii) that no shareholder of the Company is excluded, other than the person that intends to acquire control of the financial benefits that may result from the application of the terms of this clause; (iii) that the taking of the Control of the Company is not restricted in an absolute manner; (iv) that the provisions of the Securities Market Law, with respect to acquisition public offerings, are not contravened; and (v) that the exercise of the patrimonial rights of the acquirer are not rendered without effect.

If any person participates in a transaction that would have resulted in the acquisition of 10% or more voting stock of the Company without having obtained the board's prior approval, they must pay the Company a fine equal to the market value of the Shares.

Any person who participates in an act that violate the terms of Article 130 discussed in the preceding paragraph will be obligated to pay the Company a fine in an amount equal to the value of the Shares owned directly or indirectly by the stockholder, or the value of the Shares involved in the prohibited transaction, if such person does not own Shares issued by the Company. In the case of a prohibited transaction that would have resulted in the acquisition of 10% or more of the voting stock of the Company, the fine will be equal to the market value of those Shares, provided that board authorization was not obtained in advance.

According to our bylaws, a majority of the members of the Board of Directors must authorize in writing, by a resolution made at a Board of Directors' meeting, any change in the control of the Company. Our Board of Directors has the right to decide if a person or a group of persons is acting for the purpose of acquiring control of the Company.

"Control" or "Controlled" means (i) to directly or indirectly impose decisions at the general meetings of shareholders, stockholders or equivalent bodies or to appoint or remove the majority of the directors, managers or equivalent officers; (ii) to hold title to the rights that directly or indirectly allow the exercise of votes with respect to more than fifty percent of the capital stock; or (iii) to directly or indirectly direct the management, the strategy or the principal policies of the Company, whether through the ownership of securities, by contract or otherwise.

Voting Rights and Stockholders' Meetings

Each Series B Share entitles the holder thereof to one vote at any general meeting of the stockholders. Holders are currently entitled to elect all members of the Board of Directors.

Our bylaws provide that the Board of Directors shall consist of at least five members and no more than twenty one. Our board was reformed during our ordinary shareholders meeting held on April 23, 2007, and now consists of eight proprietary shareholder Directors and two independent Directors. The stockholders also appointed four alternate Shareholders Directors to the Board of Directors.

General stockholders' meetings may be ordinary or extraordinary meetings. Extraordinary general meetings are meetings called to consider the matters specified in Article 182 of the Mexican Corporations Law and the bylaws, including changes in the fixed portion of the capital stock and other amendments to the bylaws, liquidation, merger, transformation from one type of corporate form to another, change in nationality and changes of corporate purposes.

General meetings called to consider all other matters, including election of the directors, are ordinary meetings. An ordinary general meeting of the Company must be held at least annually during the four months following the end of the preceding fiscal year to consider certain matters specified in Article 181 and 182 of the Mexican Corporations Law, including, principally, the election of directors, the approval of the report of the Board of Directors regarding their company's performance, the Company's financial statements for the preceding fiscal year and the allocation of the profits and losses of the preceding year, and to approve the transactions that the Company or the entities that the Company controls intend to carry out, in terms of article 47 of the Securities Market Law, in one fiscal year, when such transactions represent 20% (twenty percent) or more of the consolidated assets of the Company, based on the figures corresponding to the closing of the immediately preceding quarter, independently of the manner in which such transactions are carried out, whether simultaneously or successively, but which due to their characteristics, may be considered as a single transaction. Holders of Shares, may vote at such Meetings.

Before September 2006, any holder of Series L Shares representing 10% or more of the outstanding capital stock had the right to appoint one member and one alternate member of the Board of Directors during a Shareholders' meeting.

Under our bylaws, the quorum on first call for a general ordinary meeting is at least 50%. If a quorum is not available on first call, a second meeting may be called at which action may be taken by a majority of those present, regardless of the number of Shares represented at the meeting. On a second call, Ordinary General Shareholders' Meetings will be considered validly held regardless of the number of common or ordinary Shares represented therein and the resolutions of such Meetings will be valid when passed by majority vote of the Common Stock therein.

The quorum on first call for a general extraordinary meeting or a special meeting is 75% of the outstanding Shares with voting rights on the matters to be addressed in that meeting. If a quorum is not available on first call, a second meeting may be called, provided that at least 50% of the outstanding Shares with voting rights on the matters to be addressed in that meeting are represented.

Our bylaws require the approval of holders of at least 95% of the outstanding Shares and the approval of the CNBV for the amendment of the controlling stockholders' obligation under the bylaws to repurchase Shares and certain other provisions in the event of delisting. See "—Other Provisions—Repurchase in the Event of Delisting."

For more detail see our bylaws on our webpage at www.bachoco.com.mx

Holders of ADRs are entitled to instruct the Depositary as to the exercise of the voting rights.

According to our bylaws, stockholders with a right to vote may ask to postpone a vote on any matters on which they believe they do not have enough information as defined by Article 199 of the Mexican Corporation Law. Stockholders with a right to vote, including a limited right to vote, and who hold at least 20% of the capital stock, may legally object to the decisions of a general stockholders' meeting, with respect to matters in which they have rights, without the percentage established under article 201 of the General Law of Business Entities being applicable in such case.

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Moreover, holders of Shares having voting rights, including limited or restricted voting rights or holders of Shares without voting rights that jointly or individually represent 5% (five percent) or more of the capital stock, may directly exercise the action of liability against the members and secretary of the Board of Directors, as well as against the relevant directors or executive officers. The exercise of such action will not be subject to the compliance with the requirements set forth under articles 161 and 163 of the General Law of Business Entities.

The Board of Directors, or its President or Secretary or the judicial authority, as applicable, must issue notices of calls of Shareholders' Meetings. In addition, shareholders that jointly or separately represent at least 10% (ten percent) of the capital of the Company may request the President of the Board of Directors or the President of the Audit Committee to call a General Shareholder's Meeting, without the percentage indicated under article 184 of the General Law of Business Entities being applicable for such purpose. If the notice of meeting is not issued within fifteen days after the date of the corresponding request, a Civil or District Judge of the Company's domicile will issue such notice at the request of the interested parties that represent the requesting 10% (ten percent) of the capital, who must present their stock certificates for such purpose.

At least 15 days prior to the meeting, notice of the meeting must be published in the Diario Oficial de la Federación ("Official Gazette") or in a newspaper of general circulation in México City. Stockholders' meetings may be held without such publication provided that 100.0% of the outstanding Shares with voting rights on the matters to be addressed by such meeting are represented.

From the moment that a call for a stockholders' meeting is made public, all the information related to the meeting must be available to the stockholders. In order to attend a stockholders' meeting, a stockholder must request and obtain an admission card by furnishing, at least 24 hours before the time set for holding the stockholders' meeting, appropriate evidence of ownership of Shares in us and depositing such Shares with our corporate secretary or with an institution authorized to accept such deposit. If so entitled to attend the meeting, a stockholder may be represented by proxy signed before two witnesses. Additionally, the stockholder may be represented at the stockholders' meetings by a person named by proxy, on a printed form that we issue, which, under Mexican law, must identify our Company and indicate clearly the matters to be addressed in the meeting, with enough space for the instructions that the stockholder specifies. We are obliged to make information on the upcoming meeting available to the intermediaries in the stock market, for the time specified in Article 173 of the Mexican Law, in order to give the intermediaries time to send it to the stockholders they represent. The Secretary of the Board of Directors must verify that this requirement is met and report on this matter at the stockholders' meeting. See "—Registration and Transfer."

Members of the Board

Under the Mexican Corporations Law, a Board of Directors must conform to the following requirements:

(i) The Board of Directors will be integrated by a minimum of 5 (five) and a maximum of 21 (twenty-one) principal members.

(ii) At least 25% (twenty-five percent) of the members of the Board of Directors must be independent, in accordance with the terms of article 24 of the Securities Market Law.

(iii) For each principal member, a substitute will be appointed, in the understanding that the substitutes of independent Board members must also be independent.

Besides from satisfying all of the requirements mentioned above, failure to meet these standards for any reason will not constitute grounds for judicial action challenging any act, contract, or agreement undertaken by the board, an intermediate committee or other delegated authority. Furthermore, such standards will not be mandatory for the validity or existence of such acts.

The Board of Directors must meet at least every three months at our address or any other place in México and on the dates that the board determines. Meetings previously scheduled in accordance with a schedule pre approved by the board do not need to be called. Meetings must be called by at least 25% of the members of the Board of Directors, the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the Secretary or the Alternate Secretary of the Board or the President of the Audit Committee. Members of the board must be notified via e mail or in writing at least five calendar days in advance of a meeting.

Dividend and Distributions

At the annual ordinary general stockholders' meeting, the Board of Directors submits our financial statements for the previous fiscal year, together with a report thereon by the board, to the holders of Series B Shares for their consideration. The holders of Series B Shares, once they have approved the financial statements, determine the allocation of our net profits, if any, for the preceding year. They are required by law to allocate 5% of such net profits to a legal reserve, which is not thereafter available for distribution until the amount of the legal reserve equals 20% of our historical capital stock (before giving effect to the restatement thereof in constant pesos). As of December 31, 2008, our legal reserve fund was equal to at least 20% of our paid-in capital stock. Amounts in excess of those allocated to the legal reserve fund may be allocated to other reserve funds as the stockholders determine, including a reserve for the repurchase of our Shares. The remaining balance of net profits, if any, is available for distribution as dividends. No dividends may be paid, however, unless losses for prior fiscal years have been paid or absorbed.

Holders of Series B Shares and, accordingly, holders of ADSs will have equal rights, on a per Share basis, to dividends and other distributions, including any distributions we make upon liquidation. Partially paid Shares participate in any distribution to the extent that such Shares have been paid at the time of the distribution or, if not paid, only with respect to the proportion paid.

Changes in Capital Stock

An increase of capital stock may generally be affected through the issuance of new Shares for payment in cash or in kind, by capitalization of indebtedness or by capitalization of certain items of stockholders' equity. An increase of capital stock generally may not be realized until all previously issued and subscribed Shares of capital stock have been fully paid. Generally, a reduction of capital stock may be effected to absorb losses, to redeem Shares, or to release stockholders from payments not made. A reduction of capital stock to redeem Shares is effected by reimbursing holders of Shares pro rata or by lot. Stockholders may also approve the redemption of fully paid Shares with retained earnings. Such redemption would be affected by a repurchase of Shares on the Mexican Stock Exchange (in the case of Shares listed thereon).

Except under limited circumstances, the bylaws require that any capital increase affected pursuant to a capital contribution be represented by new Series B Shares.

The fixed portion of our capital stock may only be increased or decreased by resolution of a general extraordinary meeting and an amendment to the bylaws, whereas the variable portion of our capital stock may be increased or decreased by resolution of a general ordinary meeting. See "Other Provisions—Fixed and Variable Capital."

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No resolution by the stockholders is required for decreases in capital stock resulting from exercise of our right to withdraw variable Shares or from our repurchase of our own Shares or for increases in capital stock resulting from our sale of Shares we previously purchased. See "Other Provisions—Purchase by the Company of its Shares" and "Other Provisions—Appraisal Rights."

Preemptive Rights

Except in certain limited circumstances, in the event of a capital increase through the issuance of new Shares for payment in cash or in kind, a holder of existing Shares of a given Series at the time of the capital increase has a preferential right to subscribe for a sufficient number of new Shares of the same Series to maintain the holder's existing proportionate holdings of Shares of that Series or, in the event of a capital increase through the issuance of limited-voting or non-voting stock only, to subscribe for a sufficient number of the Shares to be issued to maintain the holder's existing proportionate holdings of our capital stock. Preemptive rights must be exercised within 15 days following the publication of notice of the capital increase in the Diario Oficial de la Federación (Official Gazette) or following the date of the stockholders' meeting at which the capital increase was approved if all stockholders were represented at such meeting; otherwise, such rights will lapse. Under Mexican law, preemptive rights cannot be waived in advance by a stockholder, except under limited circumstances, and cannot be represented by an instrument that is negotiable separately from the corresponding share. The Robinson Bours Stockholders, including the Selling Stockholders, have waived all preemptive rights with respect to the Shares and the ADSs being offered in the Global Offering. Holders of ADRs that are U.S. citizens or are located in the United States may be restricted in their ability to participate in the exercise of preemptive rights.

Foreign Investment Legislation

Ownership by foreigners of Shares of Mexican companies is regulated by the Ley de Inversión Extranjera ("Foreign Investment Law") and by the Reglamento de la Ley para Promover la Inversión Mexicana y Regular la Inversión Extranjera ("Foreign Investment Regulations"). The Ministry of Commerce and Industrial Development and the Foreign Investment Commission are responsible for the administration of the Foreign Investment Law.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican state and certain other activities exclusively for Mexican individuals or Mexican corporations, and limits the participation of foreign investors to certain percentages in regard to enterprises engaged in activities specified therein. Foreign investors may own up to 100% of the capital stock of Mexican companies or entities, except for companies (i) engaged in reserved activities as referred to above or (ii) with assets exceeding an amount to be established annually by the Foreign Investment Commission, in which case an approval from the Foreign Investment Commission will be necessary in order for foreign investment to exceed 49% of the capital stock. Mexican and non-Mexican nationals will be entitled to hold and to exercise the rights of holders. The Robinson Bours Stockholders have advised us that they intend to maintain a control position. Pursuant to our bylaws, foreigners may only own Shares up to 49%.

Other Provisions

Fixed and Variable Capital. As a sociedad anónima de capital variable, we are permitted to issue Shares constituting fixed capital and Shares constituting variable capital. The issuance of variable capital Shares, unlike the issuance of fixed capital Shares, does not require an amendment of the bylaws, although it does require approval at a general ordinary stockholders' meeting.

In no case may the capital of the Company be decreased to less than the minimum required by law and any decrease in the shareholders' equity must be registered in the Equity Variations Book that the Company will keep for such purpose.

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Repurchase in the Event of Delisting. In the event of cancellation of the registration of the Company's Shares in such Registry, whether at the request of the Company or by a resolution of the National Securities and Banking Commission under applicable law, the Company agrees to make a public offering for the acquisition of the total number of the Shares registered prior to the cancellation. The Company must contribute to a trust for at least six months, the necessary resources to purchase at the same price of the public offering, the Shares of the investors that did not attend or did not accept such offer, in case that after the public offering for purchase has been made and prior to the cancellation of the registration of the Shares that represent the capital stock of the Company or of other securities issued based on such Shares in the National Securities Registry, the Company had been unable to acquire 100% of the paid in capital stock.

Forfeiture of Shares. As required by Mexican law, our bylaws provide that our current and future foreign stockholders are formally bound to the Mexican Secretaría de Relaciones Exteriores ("Ministry of Foreign Relations") to consider themselves as Mexican nationals with respect to our Shares that they may acquire or of which they may be owners, and with respect to the property, rights, concessions, participations or interests that we may own or rights and obligations that are based on contracts to which we are party with the Mexican authorities, and not to invoke the protection of their government under penalty, should they do so, of forfeiting to the Mexican State the corporate participation that they may have acquired. In the opinion of Galicia & Robles, S.C., our special Mexican counsel, under this provision a non-Mexican stockholder (including a non-Mexican holder of ADSs) is deemed to have agreed not to invoke the protection of his own government by requesting 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 with respect to its investment in us, including any rights under U.S. securities laws. If the stockholder should invoke such governmental protection in violation of this agreement, its Shares could be forfeited to the Mexican State. Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless such bylaws prohibit ownership of capital stock by foreign investors.

Exclusive Jurisdiction. Our bylaws provide that legal actions relating to any conflict between our stockholders and us, or among the stockholders in connection with matters related to us, may be brought only in courts in México City. Therefore, our stockholders are restricted to the courts of México City.

Duration; The duration of our existence under our bylaws is indefinite.

Repurchase of our own Shares. We may repurchase our Shares on the Mexican Stock Exchange at any time at the then prevailing market price. Any repurchases will be charged to the Stockholders Equity as long as these Shares belong to the same Company or to the Capital Stock in the event that we convert these Shares to treasury stock, and in this last case no resolution of the stockholders' meeting is required. At each annual ordinary Stockholder's Meeting, the maximum amount of resources that may be used to repurchase Shares will be expressly defined. The Board of Directors will name the persons responsible for the operation of the repurchase process. The Shares that belong to the Treasury Stock or us can be resold among the public stockholders; in the latter case, no resolution of a stockholders' meeting is necessary for an increase in capital. The economic and voting rights corresponding to such repurchased Shares may not be exercised during the period in which such Shares are owned by us, and such Shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any stockholders' meeting during such period.

Non-Subscribed Shares. With prior authorization of the CNBV, we may issue non-subscribed Shares provided that such Shares will be held by a depositary institution and that there is compliance with the conditions of Article 53 of the Ley del Mercado de Valores ("Mexican Securities Law"). In any extraordinary stockholders' meeting at which this issuance of non-subscribed Shares is approved, the preference rights established by Article 132 of the Mexican Corporations Law must be respected. With a quorum at the meeting, the approval of the issuance will take effect, even with respect to stockholders that were not present at the meeting, such that we will be free to issue these Shares with no prior publication. When a minority of stockholders representing at least 25% of the voting capital stock, vote against the issuance of these Shares, such issuance can not be made. Any stockholder that votes against this issuance at the stockholders' meeting will have the right to request that we sell its Shares before issuing the new non-subscribed Shares. In such event, we will have the obligation to sell first the Shares belonging to such stockholders, at the same price that the non-subscribed Shares are to be offered to the public.

Stockholder Conflicts of Interest. Under Mexican law, any stockholder that has a conflict of interest with respect to any transaction must abstain from voting thereon at the relevant stockholders' meeting. A stockholder that votes on a business transaction in which its interest conflicts with that of ours may be liable for damages if the transaction would not have been approved without such stockholder's vote.

Board Member Conflicts of Interest. Under Mexican law, any member of the Board of Directors who has a conflict of interest with us in any transaction must disclose such fact to the other members of the Board of Directors and abstain from voting. Any member of the Board of Directors who violates such provision may be liable for damages caused to us. Additionally, members of the Board of Directors and statutory auditors may not represent other stockholders at any stockholders' meeting.

Appraisal Rights. Whenever the stockholders approve a change of corporate purpose, a change in our nationality or transformation from one type of corporation form to another, any stockholder entitled to vote on such change or transformation who has voted against it has the right to withdraw from us and receive the amount calculated as specified under Mexican law attributable to its Shares, provided such stockholder exercises its right to withdraw within 15 days following the adjournment of the meeting at which the change or transformation was approved. Under Mexican law, the amount that a withdrawing stockholder is entitled to receive is equal to its proportionate interest in our capital stock according to the most recent balance sheet that has been approved by an ordinary general meeting of stockholders.

Actions Against Directors. Under Mexican law, holders of Shares having voting rights, including limited or restricted voting rights or holders of Shares without voting rights that jointly or individually represent 5% (five percent) or more of the capital stock, may directly exercise the action of liability against the members and secretary of the Board of Directors, as well as against the relevant directors or executive officers. The exercise of such action, among others, will be subject to the compliance with the requirements set forth under the Mexican Law.

Audit Committee

Under our bylaws, the Board of Directors is required to create an Audit Committee under the terms and conditions outlined below:

The Audit Committee will consist of members of the Board of Directors. The President of the audit committee and a majority of the audit committee members must be independent, as independence is defined under the Mexican Securities Market Law.

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:

- Submit an annual report to the Board of Directors;
- Provide the Board of Directors with its opinion on the matters that pertain to the Auditing Committee, in accordance with the Securities Market Law;

- 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;

- 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;

- Receive observations formulated by shareholders, Board members, relevant officers, employees and, in general, any third party with regard to the matters under his duties, as well as carry out the actions that, in its judgment, may be appropriate in connection with such observations;

- 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 propose the actions that should be taken;

- Call Shareholders Meetings and cause the items it deems pertinent to be inserted into the agendas of such Shareholder's Meetings, and

- 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.

See Article 35 of the Mexican Securities Market Law for more detail.

Related Party Transactions

See "Related Party Transactions" included in Item 7 to this Annual Report.

C. Material Contracts

None.

D. Exchange Controls

Ownership by foreigners of Mexican companies is regulated by the Foreign Investment Law and by the Foreign Investment Regulations. The Ministry of Commerce and Industrial Development and the Foreign Investment Commission are responsible for the administration of the Foreign Investment Law.

The Foreign Investment Law reserves certain economic activities exclusively for the Mexican Government and certain other activities exclusively for Mexican individuals or Mexican corporations and limits the participation of foreign investors to certain percentages in regard to enterprises engaged in activities specified therein. Foreign investors may own 100% of the capital stock of Mexican companies or entities, except for companies (i) engaged in reserved activities as referred to above or (ii) with assets exceeding an amount to be established annually by the Foreign Investment Commission in which case an approval from the Foreign Investment Commission shall be necessary in order for foreign investment to exceed 49% of the capital stock. Mexican and non-Mexican nationals will be entitled to hold and to exercise the rights of holders. The Robinson Bours Stockholders have advised us that they intend to maintain a control position of his shares. Pursuant to our bylaws, foreigners may only own Shares up to 49% of such Series.

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E. Taxation

The following is a general summary of the principal U.S. federal tax consequences and the principal Mexican federal tax consequences of the acquisition, ownership and disposition of Shares or ADSs. This summary does not purport to address all material tax consequences that may be relevant to holders of Shares or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of our voting stock, investors that hold Shares or ADSs as part of a straddle, hedge, conversion transaction or other integrated transaction and U.S. Holders (as defined below) whose functional currency is not the U.S. dollar) may be subject to special tax rules. In addition, this summary is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed in accordance with its terms.

For purposes of this discussion, a "U.S. Holder" is any beneficial owner of Shares or ADSs that, for U.S. federal income tax purposes, is:

1. an individual who is a citizen or resident of the United States;
2. a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof, or the District of Columbia;
3. an estate, the income of which is subject to U.S. federal income tax without regard to its source; or
4. a trust that is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons, or that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership holds Shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership considering the purchase of Shares or ADSs should consult its own independent tax advisor regarding the U.S. federal income tax consequences of investing in Shares or ADSs through a partnership.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. See "—Passive Foreign Investment Company Rules." This summary is based on the federal income tax laws and regulations of the United States and México, judicial decisions, published rulings and administrative pronouncements, all as in effect on the date hereof, and all of which are subject to change (and some changes may have retroactive effect) and different interpretations. Further, this discussion does not address U.S. federal estate and gift tax or the alternative minimum tax consequences of holding Shares or ADSs or the indirect consequences to holders or equity interests in partnerships (or any other entity treated as a partnership for U.S. federal income tax purposes) that own Shares or ADSs. In addition, this discussion does not address the non-U.S., non-Mexican, state or local tax consequences of holding Shares or ADSs. Prospective purchasers of Shares or ADSs should consult their own tax advisors as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of Shares or ADSs, including, in particular, the effect of any non-U.S., non-Mexican, state or local tax laws.

A Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, between the United States and México (the "Tax Treaty") took effect on January 1, 1994. The Tax Treaty was amended by a second Protocol signed November 26, 2002, the provisions of which took effect in part on September 1, 2003, and in part on January 1, 2004. The United States and México have also entered into an agreement concerning the exchange of information with respect to tax matters.

In general, for U.S. federal income tax purposes, holders of ADRs evidencing ADSs will be treated as the beneficial owners of the Shares represented by those ADSs.

U.S. Federal Income Taxation

U.S. Holders

The following discussion is a summary of the material U.S. federal income tax consequences to holders of our Shares and of ADSs that are U.S. Holders and that hold those Shares or ADSs as capital assets (generally, for investment purposes).

Taxation of Dividends

Cash dividends paid with respect to the Shares constituting the Shares or Shares represented by ADSs to the extent paid out of our earnings and profits (as determined under U.S. federal income tax principles) will be included in the gross income of a U.S. Holder as ordinary income on the day on which the dividends are received by the U.S. Holder, in the case of Shares, or the Depositary, in the case of Shares represented by ADSs, and will not be eligible for the dividends-received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended (the "Code"). We do not currently maintain calculations of our earnings and profits under U.S. federal income tax principles. Because these calculations are not made, distributions should be presumed to be taxable dividends for U.S. federal income tax purposes.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions, to claim a U.S. foreign tax credit in respect of any Mexican income taxes withheld on dividends received on Shares or ADSs. U.S. Holders who do not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such Mexican income taxes. Dividends received with respect to Shares or ADSs will be treated as foreign source income, subject to various classifications and other limitations. For purposes of the U.S. foreign tax credit limitation, foreign source income is separated into different "baskets," and the credit for foreign taxes on income in any basket is limited to the U.S. federal income tax allocable to such income. Dividends paid with respect to Shares or ADSs generally will constitute "passive category income" in most cases. The U.S. Treasury Department has expressed concerns that parties to whom depositary shares such as the ADSs are released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of such ADSs. Accordingly, the analysis of the creditability of Mexican income taxes described above could be affected by future actions that may be taken by the U.S. Treasury Department. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are urged to consult their own independent tax advisors regarding the availability of foreign tax credits with respect to any Mexican income taxes withheld.

Dividends paid in pesos will be included in the gross income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day they are received by the U.S. Holder, in the case of Share, or the Depositary, in the case of Share represented by ADSs (regardless of whether such pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt by the U.S. Holder or the Depositary, as the case may be, the U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. Holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received which are converted into U.S. dollars on a date subsequent to receipt.

Subject to certain exceptions for short-term and hedged positions, and provided that we are not a passive foreign investment company (as discussed below), dividends received by certain U.S. Holders (including individuals) prior to January 1, 2011 with respect to the Shares or ADSs will be subject to U.S. federal income taxation at a maximum rate of 15% if such dividends represent "qualified dividend income." Dividends paid on the ADSs will be treated as qualified dividend income if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Under current guidance recently issued by the Internal Revenue Service ("IRS"), the ADSs should qualify as readily tradable on an established securities market in the United States so long as they are listed on the New York Stock Exchange, but no assurances can be given that the ADSs will be or remain readily tradable under future guidance.

Based on existing guidance, it is not entirely clear whether dividends received with respect to Shares will be treated as qualified dividend income, because the Shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury Department has announced its intention to promulgate rules pursuant to which shareholders (and intermediaries) will be permitted to rely on certifications from issuers to establish that dividends qualify for the reduced rate of U.S. federal income taxation. Because such procedures have not yet been issued, we are not certain that we will be able to comply with them. U.S. Holders of Shares or ADSs should consult their own tax advisors regarding the availability of the reduced rate in the light of their own particular circumstances.

Distributions to U.S. Holders of additional Shares with respect to their Shares or ADSs that are made as part of a pro rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax. If holders of the ADSs are restricted in their ability to participate in the exercise of preemptive rights, the preemptive rights may give rise to a deemed distribution to holders of the Shares under Section 305 of the Code. Any deemed distributions will be taxable as a dividend in accordance with the general rules of the income tax treatment of dividends discussed above.

Taxation of Capital Gains

Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of Shares or ADSs generally will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between such U.S. Holder's adjusted tax basis in the Shares or ADSs and the amount realized on the disposition. A U.S. Holder generally will have an adjusted tax basis in a Shares or an ADS equal to its U.S. dollar cost. Gain or loss recognized by a U.S. Holder on the sale or other disposition of Shares or ADSs will generally be long-term gain or loss if, at the time of disposition, the U.S. Holder has held the Shares or ADSs for more than one year.

Certain U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deduction of a capital loss is subject to limitations under the Code.

Gain realized by a U.S. Holder on a sale or other disposition of Shares or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if any Mexican withholding tax is imposed on the sale or disposition of the Shares, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the Shares or ADSs.

Deposits and withdrawals of Shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

A non-U.S. corporation generally will be classified as a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes in any taxable year in which, after applying look-through rules, either (1) at least 75% of its gross income is passive income, or (2) on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions. The PFIC determination is made annually and generally is based on the value of a non-U.S. corporation’s assets (including goodwill) and composition of its income. In determining whether we are a PFIC, a pro rata portion of the income and assets of each subsidiary in which we own, directly or indirectly, at least a 25% interest by value is taken into account.

Based on current estimates of our income and assets, we do not believe that we were classified for our most recently-ended taxable year, or will be classified for our current taxable year, as a PFIC for U.S. federal income tax purposes, and we intend to continue our operations in such a manner that we will not become a PFIC in the future, although no assurances can be made regarding determination of our PFIC status in the current or any future taxable year. If we are treated as a PFIC for any taxable year, a U.S. Holder would be subject to special rules (and may be subject to increased tax liability) with respect to (a) any gain realized on the sale or other disposition of Units or ADSs, and (b) any “excess distribution” made by us to the U.S. Holder (generally, any distribution during a taxable year in which distributions to the U.S. Holder on the Units or ADSs exceed 125% of the average annual distributions the U.S. Holder received on the Units or ADSs during the preceding three taxable years or, if shorter, the U.S. Holder’s holding period for the Units or ADSs). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder’s holding period for the Units or ADSs, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which the Issuer was a PFIC would be subject to U.S. federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which we were treated as a PFIC. In addition, a U.S. Holder generally would be required to annually file IRS Form 8621 to disclose ownership of an equity interest in a PFIC. Moreover, dividends that a U.S. Holder receives from us will not be eligible for the reduced U.S. federal income tax rates described above if we are a PFIC either in the taxable year of the distribution or the preceding taxable year (and instead will be taxable at rates applicable to ordinary income).
Prospective investors should consult their own tax advisors regarding the potential application of the PFIC rules to Shares or ADSs.

Non-U.S. Holders

The following discussion is a summary of the principal U.S. federal income tax consequences to beneficial holders of Shares or ADSs that are neither U.S. Holders nor partnerships for U.S. federal income tax purposes (“Non-U.S. Holders”).

Subject to the discussion below under "U.S. Backup Withholding," a Non-U.S. Holder of Shares or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of Shares or ADSs, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if an applicable tax treaty requires, is attributable to a U.S. permanent establishment or fixed base of such Non-U.S. Holder) or (ii) in the case of gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

In general, dividends on Shares or ADSs, and payments of the proceeds of a sale or other taxable disposition of Shares or ADSs, paid within the United States, by the U.S. payor or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding at a current rate of 28% unless the holder (i) establishes that it is a corporation or other exempt recipient or (ii) with respect to backup withholding, provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred. Payments made within the United States, by a U.S. payor or through certain U.S.-related financial intermediaries to a Non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor or intermediary and the payor or intermediary does not have actual knowledge or a reason to know that the certificate is incorrect.
Backup withholding is not an additional tax. The amount of any backup withholding withheld from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its U.S. federal income tax liability by filing a timely refund claim with the IRS.

Mexican Taxation

Taxation of Dividends

Dividends, either in cash or in any other form, paid with respect to the Shares constituting the Shares or the ADSs will not be subject to Mexican withholding tax.

Taxation of Capital Gains

Gain on the sale or other disposition of ADSs by holders who are not Mexican Residents (as defined below) will not be subject to Mexican income tax. Deposits of Shares in exchange for ADSs and withdrawals of Shares in exchange for ADSs will not give rise to Mexican income tax.

Gain on the sale of Shares by a holder who is not a Mexican Resident (as defined below) will not be subject to Mexican tax if the transaction is carried out through the Mexican Stock Exchange or other securities markets approved by the Mexican Ministry of Finance, and provided certain requirements set forth by the Mexican Income Tax Law are complied with. Sales or other dispositions of Shares made in other circumstances generally would be subject to Mexican tax, except to the extent that a holder is eligible for benefits under an income tax treaty to which México is a party of. Under the Tax Treaty, gain on the sale or other disposition of Shares by a U.S. resident (if eligible for benefits under the Tax Treaty) who is a holder of less than 25% of our capital stock during the twelve-month period preceding such sale or disposition will not be subject to Mexican tax, unless (i) 50% or more of the fair market value of our assets consist of "immovable property" (as defined in the Tax Treaty) situated in México, or (ii) such gains are attributable to a permanent establishment or fixed base of such U.S. resident in México.

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For a holder that is not a Mexican Resident and that does not meet the requirements referred to above, gross income realized on the sale of Shares will be subject to a 5% Mexican withholding tax if the transaction is carried out through the Mexican Stock Exchange. Alternatively, a holder that is not a Mexican Resident can choose to be subject to a 20% withholding rate on the net gain obtained, as calculated pursuant to Mexican Income Tax Law provisions.

The Mexican tax rules governing the taxation of gains of holders who are not Mexican Residents on dispositions of their Shares or ADSs were amended during 2002. Holders who are not Mexican Residents who disposed of their Shares or ADSs during 2003 should consult their own Mexican tax advisors on the Mexican tax treatment of such dispositions.

For purposes of Mexican taxation (Ley del Impuesto sobre la renta), an individual is a resident of México (a "Mexican Resident") if he or she has established his or her home in México, unless he or she has resided in another country for more than 183 days, whether consecutive or not, during a calendar year and can demonstrate that he or she has become a resident of that country for tax purposes. A legal entity is a Mexican Resident if it has been incorporated under Mexican law. A company is also considered to be a Mexican Resident if its headquarters are located in México. A Mexican citizen is presumed to be a resident of México for tax purposes unless such person can demonstrate otherwise. If a person is deemed to have a permanent establishment or fixed base in México for tax purposes, such permanent person shall be required to pay taxes in México on income attributable to such permanent establishment or fixed base, in accordance with applicable tax laws.

Other Mexican Taxes

There are no Mexican inheritance, succession or similar taxes applicable to the ownership, transfer or disposition of ADSs or Shares by holders that are not Mexican Residents; provided, however, that gratuitous transfers of Shares may in certain circumstances cause a Mexican federal tax to be imposed on the recipient. There is no Mexican stamp, issue, registration or similar taxes or duties payable by holders of ADSs or Shares. Brokerage fees on securities transactions carried out through the Mexican Stock Exchange are subject to a 15% valued added tax.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents concerning us which are referred to in this document are available at the our company headquarters, located at Ave. Tecnológico No.401, Cd. Industrial, Celaya, Guanajuato, 38010, México, for any inspection required. Part of this information is available on our web page, at www.bachoco.com.mx.

I. Subsidiary Information

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of our business, we hold or issue various financial instruments that expose us to financial risks involving fluctuations in currency exchange rates and interest rates. Also, we are exposed to commodity price risk in connection with fluctuations in the prices for our feed ingredients.

Currency Fluctuation

Our exposure to market risk associated with changes in foreign currency exchange rates relates primarily to cost and expenses which are denominated in U.S. dollars. Since we have liabilities denominated in U.S. dollars, we are exposed to foreign exchange losses when the peso declines in value against the U.S. dollar. The peso has been subject to significant volatility in the past, most recently in the second half of 2008.

All of our sales are priced in Mexican pesos but we have significant costs and expenses in U.S. dollars. A significant portion of our feed cost is priced in U.S. dollars, and other purchases may be influenced by U.S. dollar prices. A devaluation of the peso will accordingly affect our earnings. In addition, the Mexican peso exchange rate can directly and indirectly impact our results of operations and financial position in several respects, including potential economic recession in México resulting from a devalued peso.

In 2006, we experienced a total foreign gain of Ps.40.8 million, due to the net position of our liabilities and assets.

In 2007, we experienced a foreign exchange loss of Ps.3.4 million since the Mexican peso demonstrated low volatility during the year.

During 2008, our net interest position and the impact on the valuation of our financial instruments was a loss of Ps. 1,529.3 million, mainly due to negative results in our exchange rate derivative instruments and grain hedge positions, partially offset by our foreign exchange gain of Ps.160.2 million.

We manage our exchange rate exposure primarily through management of our financial structure, specifically by maintaining most of our debt through long term debt instruments. As part of our normal operations, we purchase financial derivative instruments in order to ensure greater certainty in our purchases of U.S. dollars. We plan over a six-month period into the future and, depending on the expected uncertainty for that period, decide if it is economically advisable to purchase or sell any hedging instrument.

The main risk that the Company faces with the use of these derivative instruments is the volatility in the exchange rate of the peso against the U.S. dollar.

During 2006 and 2007, we have observed different strategies with respect to derivatives which involve call and put options in U.S. dollars.

Even though we did not have debt denominated in U.S. dollars as of December 31, 2008, given our hedge positions, our comprehensive financial cost was strongly affected by the abrupt depreciation of the Mexican peso against the US dollar, especially during the second half of 2008.

At December 31, 2008, we maintained positions in several financial instrument derivatives. For details, please see Note 10 to our Consolidated Financial Statements.

No assurance can be given as to the future valuation of the Mexican peso and how further movements in the peso could affect our future earnings. In order to mitigate our foreign exchange risk, we have established a Risk Committee which meets at least once a month and approves the guidelines and policies for entering into these operations. We also works with independent consultants whom make evaluations of our positions and provides us with consulting services. Said companies do not sell any financial instruments to us.

Based on our position in March 2009, we estimate that a hypothetical 10.0% devaluation of the Mexican peso against the U.S. dollar would result in losses of Ps.514.1 million.

Interest Rates

Our earnings may also be affected by changes in interest rates due to the impact those changes have on our variable rate debt instruments. As of March 2009, we had borrowings of approximately Ps.616.8 million pursuant to variable rate debt instruments, representing approximately 3.3% of our total assets.

Based on our position on December 31, 2008, we estimate that a hypothetical interest rate variation of 0.5% on our Mexican peso denominated debt would result in increased interest expenses of approximately Ps. 3.1 million per annum. Any such increase would likely be offset by an increase in interest income due to our cash and cash equivalent position.

Feed Ingredients

The largest single component of our cost of sales is the cost of ingredients used to prepare 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, among other factors, from weather, the size of harvests, transportation and storage costs, governmental agricultural policies and currency exchange rates. In order 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.

The percentage of grain purchased from domestic markets was 35.0%, 30.1%, 31.3%, and 36.4% in 2004, 2005, 2006 and 2007 respectively. In 2008 we purchased approximately 48.0% of grain from local sources.

During 2008, grain reached new historically high prices worldwide, due principally to strong demand and alternative uses of grain such as ethanol production. Soybean meal prices also increased, particularly in the second half of the year, as a result of strong demand coupled with lower supply than expected worldwide. Towards the end of 2008, the situation began to change as corn and soybean meal prices started to decline.

Based on results for 2008, we estimate that a hypothetical variation of 10.0% in the cost of our feed ingredients would have an impact of 6.6% on total cost of sales.

ITEM 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

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C. Other Securities

Not applicable.

D. American Depository Receipts

Not applicable.

PART II

ITEM 13. Default, Dividend Arrearages and Delinquencies

None.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

ITEM 15. Controls and Procedures

Disclosure controls and procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2008. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act is recorded, processed, summarized and reported as and when required.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Mexican FRS.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Effective control over financial reporting cannot, and does not, provide absolute assurance of achieving our control objectives. Also, any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on this assessment, management concluded that, as of December 31, 2008, the Company's internal control over financial reporting is effective based on those criteria.

Changes in Internal Controls

There has been no change in our internal control over financial reporting in the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

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

ITEM 16. [Reserved]

ITEM 16.A. Audit Committee Financial Expert

Currently, no member of our audit committee possesses all the characteristics included in the definition of an "audit committee financial expert" within the meaning of this Item 16A. We consider that the combined financial expertise of the members of our audit committee meet much of this requirement. Our audit committee has the authority and appropriate funding to obtain outside advice, as it deems necessary, to carry out its duties.

ITEM 16.B. Code of Ethics

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer, controller and persons performing similar functions, as well as to other officers and employees. Our code of ethics is available free of charge upon request through our website www.bachoco.com.mx If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer, controller and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

ITEM 16.C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table sets forth the fees billed to us by our independent auditors, Mancera, S.C., and KPMG Cárdenas Dosal, S.C. independent registered public accounting firm. The following amounts were paid in 2007 and 2008; all the amounts are in nominal pesos, prior to taxes:

	Mancera, S.C.		KPMG, Cárdenas Dosal S.C.	
	Thousands of Mexican pesos, year ended December 31,			
	2007	2008	2007	2008
Audit fees	Ps. 4,456.2	Ps. 3,067.3	—	Ps. 2,573.5
Tax fees	953.5	261.5		