Industrias Bachoco S.A.B. de C.V.
Form 20-F
June 29, 2010

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

FORM 20-F

¨ 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, 2009

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, Mexico.
(Address of principal executive offices)

Daniel Salazar Ferrer
Avenida Tecnológico No. 401
Ciudad Industrial C.P. 38010
Celaya, Guanajuato, Mexico
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 o 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

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 o

TABLE OF CONTENTS

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 91.9% of consolidated total assets on December 31, 2009. References herein to "Bachoco," "we," "us," "our," "its" or the "Company" are, unles 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 ("Mexico"), and all of our operations are in Mexico. Our principal executive offices are located at Avenida Tecnológico No. 401, Ciudad Industrial C.P. 38010, Celaya, Guanajuato, Mexico, 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 Mexico (the "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 2. The principal considerations established by this FRS are:

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 26.0%; and (b) a non-inflationary economic environment, when inflation over the aforementioned period is less than 26.0%. For more detail, see Note 2-c in our Audited Consolidated Financial Statements.

With respect to (a) above, similarly to the 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 our case 2007), 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 "Audited Consolidated Financial Statements") and the selected financial information included throughout this Form 20-F (this "Annual Report") have been presented in nominal pesos for the years 2009 and 2008 and in constant pesos as of December 31, 2007 for the years 2007 - 2005.

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, consolidated stockholders' equity to U.S. GAAP, and a consolidated statement of cash flows under U.S. GAAP, see Note 21 to the Audited 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 Audited Consolidated Financial Statements.

1

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 Mexico. 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.13.08 to U.S.$1.00, the exchange rate on December 31, 2009.

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 (the National Poultry Union or the “UNA”), Consejo Nacional Agropecuario (the National Agricultural Council or “CNA”); Consejo Mexicano de Porcicultura (the Mexican Pork Council or “CMP”), as well as Banco de Mexico (the Central Bank), Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentos (“Ministry of Agriculture, Livestock, Rural Development, Fishing and Food” or “SAGARPA”) and publications of the U.S. Department of Agriculture (“USDA”). The producers’ associations rely principally on data provided by their members. Information for which no source is cited was prepared by us on the basis of our knowledge of the Mexican chicken, egg, feed, turkey and swine markets and the wide variety of information available regarding these markets. The methodology and terminology used by different sources are not always consistent, and data from different sources are not readily comparable.

Forward-Looking Statements

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

Examples of such forward-looking statements include, but are not limited to: (i) projections of revenues, income (or loss), earnings (or loss) per Share, capital expenditures, dividends, capital structure or other financial items or ratios; (ii) statements of our plans, objectives or goals or those of our management, including those relating to new contracts; (iii) statements about future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “gu 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 financial information set forth below is derived from Bachoco's Audited Consolidated Financial Statements, which are included in Item 18. In this disclosure, we explain the figures and year-to-year changes in our Audited Consolidated Financial Statements.

In preparing the Audited Consolidated Financial Statements, we followed Mexican FRS, which differ in certain respects from U.S. GAAP. Note 21 to the Audited 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, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007. 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 Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C. (the "Mexican Board for Research and Development of Financial Reporting Standards" or "CINIF"). See the summary on Mexican FRS B-10 in "Presentation of information" above.

Except as otherwise indicated, all data in the Audited Consolidated Financial Statements included below in Item 18 and the selected financial information included throughout this Form 20-F (this "Annual Report") have been presented in nominal pesos for the years 2009 and 2008 and in constant pesos as of December 31, 2007 for the years 2005 - 2007. 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 Audited Consolidated Financial Statements.

As of January 1, 2008, a new financial reporting standard came into effect, 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, 2009 and 2008, is stated in millions of nominal Mexican Pesos.

	As of and for the year ended December 31,					
	2005	2006	2007	2008	2009	2009(2)
Income Statement Data	in millions of constant pesos as of December 31, 2007 for years 2005 – 2007 and in millions of nominal pesos for years 2009 and 2008(1)					In millions of U.S. dollars(1)
Mexican FRS:						
Net revenues	Ps. 15,617.7	Ps. 15,551.0	Ps. 18,219.6	Ps. 20,125.3	Ps. 23,262.9	1,778.5
Cost of sales	11,234.2	12,053.0	14,477.9	17,482.5	19,326.8	1,477.6
Gross profit	4,383.5	3,498.0	3,741.8	2,642.9	3,936.1	300.9
Operating income	2,378.1	1,425.4	1,496.3	230.1	1,413.8	108.1
Comprehensive financing income (loss)	(74.0)	61.4	19.1	(1,369.2)	(133.2)	(10.2)
Net controlling interest income (loss)	1,908.4	906.2	1,270.9	(879.0)	797.6	61.0
Net consolidated income (loss) per Share(3)	3.2	1.5	2.1	(1.5)	1.3	0.1
Net consolidated income (loss) per ADS(4)	38.2	18.1	25.4	(17.5)	16.0	1.2
Dividends per Share(5)	0.44	0.61	0.59	0.59	0.42	0.03
Weighted average Shares outstanding (thousands)	599,694	599,571	600,000	600,000	599,946	599,946
U.S. GAAP:						
Net revenues	Ps. 15,617.7	Ps. 15,551.0	Ps. 18,219.6	Ps. 20,125.3	Ps. 23,262.9	1,778.5
Operating income	2,356.0	1,395.7	1,481.0	185.6	1,391.0	106.3
Majority net income (loss)	1,893.3	895.6	1,261.9	(869.4)	787.0	60.2
Statement of Financial Position Data						
Mexican FRS:						
Cash and cash equivalents	Ps. 3,419.9	Ps. 3,583.9	Ps. 3,039.9	Ps. 1,998.2	Ps. 2,551.0	195.0
Total assets	16,530.9	17,559.2	19,116.4	19,455.0	19,877.9	1,519.7
Short-term debt(6)	100.0	9.8	58.8	234.2	591.9	45.2
Long-term debt	56.0	35.5	50.8	391.7	372.0	28.4
Total stockholders' equity	13,502.7	14,102.9	15,127.2	14,079.4	14,638.5	1,119.1
Capital Stock	2,294.6	2,294.9	2,294.9	2,294.9	2,294.9	175.5
U.S. GAAP:						
Total controlling interest equity	13,499.0	14,053.2	15,071.7	13,786.7	14,329.2	1,095.5
Selected Operating Data						
Sales volume (thousands of tonnes):						

Chicken	773.0	773.7	837.2	878.1	918.1
Eggs	140.6	143.4	147.8	143.6	143.4
Swine and Others	9.6	8.9	16.1	18.8	19.0
Balanced Feed	389.6	484.4	438.8	370.7	337.9
Margins (Mexican FRS)					
Gross margin (%)	28.1%	22.5%	20.5%	13.1%	16.9%
Operating margin (%)	15.2%	9.2%	8.2%	1.1%	6.1%
Consolidated net margin (%)	12.2%	5.8%	7.0%	(4.4)%	3.5%
Total employees	20,432	21,035	23,088	23,248	24,065

(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.13.08 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

During 2005, the Mexican peso was volatile, mainly at the beginning and at the end of the year, and trended towards appreciation 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 year-end depreciated by 1.1% with respect to December 31, 2006.

In 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.

During 2009, the Mexican economy continued to be affected by the global economic crisis, ending the year with an inflation rate of 3.57%. However, although the Mexican peso-dollar exchange rate depreciated during the first half of 2009, the peso stabilized and strengthened its position in the second half of 2009, leading the Mexican peso-dollar exchange rate to appreciate 5.4% in 2009 with respect to the exchange rate in effect on December 31, 2008.

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
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
2009	15.41	12.63	13.50	13.08

(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 2009	13.08	12.63
January 2010	13.03	12.65
February 2010	13.19	12.76
March 2010	12.74	12.30
April 2010	12.41	12.16
May 2010	13.14	12.27

(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 June 14, 2010, the exchange rate for cable transfers in pesos as certified for customs purposes by the Federal Reserve Bank of New York was Ps.12.54 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 Mexico, Other Emerging Market Countries and the U.S. Economy

Mexico has experienced adverse economic conditions

If the Mexican economy experiences decreased output in a recession, or if inflation or interest rates significantly increase, consumers may not be able to purchase our products. These and other effects could have adverse consequences on our business, financial condition and results of operations.

The chart below includes Mexican gross domestic product ("GDP") and Inflation Rate data from 2005-2009, as provided by the Central Bank.

Period	GDP	Inflation Rate
2005	3.0%	3.33%
2006	4.8%	4.05%
2007	3.3%	3.80%
2008	1.3%	6.50%
2009	-6.5%	3.57%

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 Mexico may be influenced by U.S. commodity markets. Therefore, should the peso fall relative to the U.S. dollar, the cost of our operations, some accounts payable due and our debt payments would increase. Any future depreciation or devaluation of the peso may result in further net foreign exchange losses.

- In 2005, the Mexican peso appreciated with respect to the U.S. dollar by 4.9% at the end of the year and 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 0.1% lower than the average of 2005.

-

In 2007, the Mexican peso remained reasonably stable in its peso-dollar exchange rate. According to the U.S. Federal Reserve Bank, the peso depreciated with respect to the U.S. dollar by 1.1% at year-end. The average value of the Mexican peso was 0.2% 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.

- In 2009, the Mexican peso experienced greater stability during the second half of the year in its peso-dollar exchange rate, with a final appreciation of 5.4%, compared to the end of 2008. The average value of the Mexican peso was 17.4% lower than the average in 2008.

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 the 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 and some accounts payable. 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 Mexico, 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 Mexico could adversely affect our financial condition and results of operations

According to the Central Bank, the average interest rates on 28-day Mexican treasury bills, or Cetes, was 9.2%, 7.2% , 7.2%, 7.6% and 5.4% during 2005, 2006, 2007, 2008 and 2009, respectively. On June 14, 2010, the 28-day Cetes rate was 4.6%. High interest rates in Mexico 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 may benefit from the interest we earn in our cash balance.

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

Felipe Calderón was elected as President of Mexico 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 have continued following the 2009 Congressional election. 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 Mexico 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 Mexico, 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 Mexico 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 Mexico and emigration from Mexico 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 Mexico 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.

In particular, corn prices began to decline in comparison with previous years by the end of 2008. In 2009, such prices were lower and more stable.

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 financial instruments to counter financial risks as protection against adverse fluctuations in the prices of corn and soybean. A drastic change in 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 diseases, contamination, adverse weather conditions or natural disasters

Our operations involve raising animals and are subject to a variety of risks. Chickens in particular are susceptible to infections by a variety of microbiological agents.

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 in the media worldwide 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 birds 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 Mexico's coast are most vulnerable to the risk of severe weather. In 2006, we experienced a loss of chickens in our Norwest Complex due to the effects of Hurricane Lane.

In April 2010, the table eggs operation located in Mexicali, B.C. was affected by an earthquake that hit northwestern Mexico on April 4. The earthquake partially affected almost all of the farms located in this region, including our farm. Our affected farm represents approximately 9.0% of our total egg production. Other facilities, such as feed mill and distribution centers, were essentially undamaged.

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 Mexico's largest chicken producer, but we face competition from other producers in all of the markets in which we sell our products. In 2009, we accounted for approximately 34.0% of total chicken production in Mexico. There are two other major vertically integrated chicken producers in Mexico, which together with Bachoco account for approximately 59.0% of Mexican chicken production, with the balance distributed among 178 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

Since 2003, chicken (excluding leg quarters for which the Mexican government imposed some temporary restrictions), eggs and swine import quotas 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 Mexico, which could have a material adverse effect on our performance.

On January 1, 2008, the restrictions for leg quarters were phased out. At present there are no restrictions on importing these products into Mexico.

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 was to serve as collateral for the Company's loan indebtedness. In the second half of 2009, this third trust was eliminated and the Shares were returned to the original trust. The trusts together accounted for 496,500,000 Shares outstanding on December 31, 2009 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 the Shares could decline if the Robinson Bours family sold substantial amounts of their Shares, whether directly, or indirectly, through the Mexican trusts through which they hold their Shares, or if the perception arose that such a sale could occur.

The protection afforded to minority stockholders in Mexico 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 the 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 Mexico

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 Mexico, 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 Mexico. 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 Mexico, 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: (i) we file a registration statement with the Securities and Exchange Commission with respect to that future issuance of Shares; or (ii) 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 Mexico may differ from other countries

There may be less, or different, publicly available information about issuers of securities in Mexico 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.

11

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 Mexico on April 17, 1980. Our headquarters are located at Avenida Tecnológico No. 401, Ciudad Industrial 38010, Celaya, Guanajuato, Mexico, telephone +52461 618-3500 and +52461 618-3555. Our investor relations agent in the U.S. is Grayling, which is located in New York, New York. Our main product lines are: chicken, table egg, balanced feed and swine. At present, almost all of our production and almost all of our sales are in Mexico.

According to the UNA, we are the largest poultry producer in Mexico. In 2009, we produced approximately 9.5 million chickens per week and accounted for approximately 34.0% of total chicken production in Mexico. 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 800 production and distribution facilities dispersed throughout Mexico, 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 78.3% of our net revenues in 2009. Please also see the table under Item 5. A. "Operating Results."

We are also a significant producer of commercial balanced feed. We sell our feed both through distributors and directly to small producers. During 2009, we sold 338 thousand tons of balanced feed to external customers, which amounted to 6.3% of our total revenues for that year.

Currently, Bachoco is the second largest producer of table egg products. In 2009, we sold approximately 143 thousand tons. Table egg sales accounted for 10.1% of our net revenues in 2009.

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 2009, 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,				
	2005	2006	2007	2008	2009
Chicken	773.0	773.7	837.2	878.1	918.1
Eggs	140.6	143.4	147.8	143.6	143.4
Swine(1)	9.6	8.9	16.1	18.8	19.0
Balanced Feed	389.6	484.4	438.8	370.7	337.9

(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 Mexico 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 Mexico 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 separated the units trading on the Mexican Exchange into their component. 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 trade 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, 2009, 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 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. See Note 15d to the Consolidated Audited Financial Statements for more detail. During 2009, we undertook certain repurchases as disclosed in Item 16.F below. As of June 18, 2010, we had no Shares repurchased.

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 Mexico, close to the border with the United States.

In February 2007, we reached a business agreement with Grupo Libra, a Company in the Northeast of Mexico, 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 these 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 hen 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 their entire inventory.

In July 2009, the Company undertook several measures to improve capacity and efficiency in our Northeast production complex headquartered in Monterrey, N.L. These were: (i) acquiring the assets of a balanced feed mill and a soybean processing plant from Productora de Alimentos Pecuarios de Nuevo León, S.A. de C.V. through our Campi subsidiary; (ii) acquiring the assets of a chicken processing plant from Avi Carnes Monterrey, S.A. de C.V. through our Bachoco subsidiary with a production capacity of 9,000 chickens per hour; (iii) entering into agreements to rent breeder farms and egg incubation plants from Reproductoras Asociadas, S.A. de C.V. and one-day-old breeder capacity farms and egg incubation plants from Producción Avicola Especializada, S.A. de C.V.; and (iv) making arrangements with contract growers to acquire 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 Mexico 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 Mexico.

- 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 Mexico'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 developed a brand image for premium fresh chicken and table eggs in Mexico. 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. We successfully launched Bachoco's new image two years ago, which was well-received by our clients.

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 (in nominal pesos):

- 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. 1.1 billion, with which we:

- Increased capacity and implemented new technology in the processing plants located in Celaya and Culiacan;

- Increased chicken capacity in farms located in Mérida and Veracruz;
- Finished the construction of new farms located in Ciudad Obregon and Hermosillo;
- Began the construction of new farms located in the state of Chiapas; and
- Updated our transportation fleet;

• In 2009, we made capital expenditures of Ps. 988.2 million, with which we:

- Entered into a business agreement with a company located at the Northeast of Mexico;
- Increased capacity in chicken farms in the states of Chiapas, Sonora, and the Peninsula de Yucatan; and
- 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 Mexico is fresh. Fresh chicken is a central ingredient in many traditional Mexican dishes and it is the leading meat consumed in Mexico 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 3.0% of the chicken sold in Mexico; this represents a decrease from the 4.0% market share in 2008.

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 Mexico.

According to data obtained from the UNA, total Mexican chicken consumption per capita increased by 1.6% from 2007 to 2009. Chicken is the leading meat consumed in Mexico, and it accounted for approximately 50.0% of all meat produced in Mexico in 2009. The following table sets forth total Mexican production of chicken, pork and beef for 2007 to 2009:

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

	2007	2008	2009
Chicken	2,683	2,853	2,781
Beef	1,628	1,673	1,700
Swine	1,116	1,149	1,162

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.

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.

In 2009, our chicken prices increased by 12.6% compared to prices in 2008 due to a good balance between supply and demand, mainly during the first half of 2009.

We believe that changes in Mexican chicken consumption correlate closely with changing chicken prices and their effect on consumer purchasing power. According to data from the UNA, chicken per capita consumption increased 3.5% in 2005, 2.6% in 2006, 2.5% in 2007, 5.3% in 2008 and decreased by 3.5% in 2009.

Chicken Products

Six main product categories exist for fresh chicken in Mexico: 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 2009:

- 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 29.0% by volume of the chicken sold by producers in Mexico.

- Public market chicken, is a whole broiler presented either uneviscerated or eviscerated, generally sold within 48 hours after slaughter in public markets throughout Mexico, but primarily concentrated in the Mexico City metropolitan region. According to the UNA, public market chicken accounts for 20.0% by volume of the chicken sold by producers in Mexico.

- 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 called rosticerías 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 26.0% by volume of the chicken sold by producers in Mexico.

- Supermarket 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 14.0% of the volume of the chicken sold by producers in Mexico.

- 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 8.0% of the chicken volume sold by producers in Mexico.

- 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 accounted for 3.0% of the chicken volume sold by producers in 2009.

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:

	Bachoco's chicken volume sold					
	2007		2008		2009	
	Tonnes	%	Tonnes	%	Tonnes	%
Public market and rotisserie	371.0	44.3	402.1	45.8	418.2	45.5
Supermarket, chicken parts and others(1)	245.1	29.3	239.0	27.2	217.1	23.7
Live	221.2	26.4	237.0	27.0	282.8	30.8
Total	837.2	100.0%	878.1	100.0%	918.1	100.0%

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

Our product mix varies from region to region in Mexico, 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 Mexico. 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 processing plants located in: Celaya, Culiacan, 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), retailers and transport certain products directly to supermarkets and food-service operations. Our distribution infrastructure includes 58 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.

Below is a summary of the expansions we have made to our distribution network (which now covers almost all of Mexico) in the last five years:

- 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 Mexico. 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 Mexico, specifically in the city of Hermosillo and in the state of Chiapas.

- In 2009, we (i) acquired the assets of a balanced feed mill and a soybean processing plant from Productora de Alimentos Pecuarios de Nuevo León, S.A. de C.V. through our Campi subsidiary; (ii) acquired the assets of a chicken processing plant from Avi Carnes Monterrey, S.A. de C.V. through our Bachoco subsidiary with a production capacity of 9,000 chickens per hour; (iii) entered into agreements to rent breeder farms and egg incubation plants from Reproductoras Asociadas, S.A. de C.V. and one-day-old breeder capacity farms and egg incubation plants from Producción Avicola Especializada, S.A. de C.V.; and (iv) made arrangements with contract growers to acquire their inventories.

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 Mexico. We regularly sell to more than 50 of the approximately 200 whole fresh chicken wholesalers operating in the Mexico 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 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 these stores 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.

- Supermarket Chicken – We sell supermarket broilers, as well as chicken parts and eggs, directly to the principal supermarkets, convenience store chains and wholesale clubs in Mexico. 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 many points 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 and its growth rate will depend on the purchasing power of consumers. The Company is constantly developing new, convenient value-added products.

Table Eggs

According to the UNA, Mexico has one of the largest per capita consumption of table eggs in the world with 22.2 kilograms per capita consumed per year, compared with 21.7 kilograms per capita consumed in 2008. This high level of consumption is due in part to the fact that eggs are among the cheapest sources of protein in Mexico.

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 nine largest producers of table eggs in Mexico now account for approximately 44.0% of the market.

Eggs in Mexico 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, the 15.0% of the eggs sold in Mexico are sold in packaged form, 5.0% are sold in processed form and approximately 80.0% 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.

We are the second largest producer of table eggs in Mexico with approximately 10.0% of the market. We sell both brown and white eggs. We are the largest producer of brown eggs in Mexico. 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 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 and 2009, our table egg production remained stable with a slight reduction in production capacity due to some adjustments we made in production.

In April 2010, the table eggs operation located in Mexicali, B.C. was affected by an earthquake that hit northwestern Mexico on April 4. The earthquake partially affected almost all of the farms located in this region, including our farm. Our affected farm represents approximately 9.0% of our total egg production. Other facilities, such as feed mill and distribution centers, were essentially undamaged.

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 Mexico, 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

The Consejo Nacional de Fabricantes de Alimento Balanceado y de la Nutrición Animal, A.C. (”CONAFAB”), estimates that Mexican production of balanced feed has been in constant growth, increasing from 24.6 million tons in 2005 to an estimated 26.6 million tons in 2009. In 2008, Mexico was ranked the third largest producer of feed in the world and the second largest in Latin America. Information for 2009 is not yet available.

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 63.0% of total production. Imports of feed come almost entirely from the United States and represent approximately 1.0% of the total consumption in Mexico.

21

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 Mexico. 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 producing balanced feed to third parties.

We estimate that our balanced feed business currently comprises approximately 3.4% of the market share of the commercial (non-integrated) balanced feed business in Mexico, a reduction from the 3.9% market share in 2008. The decrease in our balanced feed sales volume is due to a reduction in our production levels as we improve our sales mix.

Swine

We purchase breeder swine live from the United States and breed them at facilities in the state of Sonora. We then raise swine to maturity at our farms in Celaya and three other locations in Mexico. Mature swine is sold on the hoof to Mexican swine meat packers for the production of pork products.

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. During 2009, swine business remained generally stable as prices increased 10.7% for the whole year. Traditionally, Mexicans consume fewer swine products than chicken and egg products.

Turkey and Prepared Beef Products

In 2007, as a result of 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 2009, these product 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, 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.

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. By the end of 2008, prices of corn and soybean meal started to decrease and have continued their downward trend into the year 2009, where we observed more stable prices for these ingredients.

We take advantage of lower-cost feed ingredients from Mexican sources, when available. In 2009, we obtained approximately 50.0% of our total grain 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 Mexico domestic crops and feed ingredients are limited. As such, our 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 Mexico'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 59.0% of total Mexican poultry production; the balance is distributed among approximately 170 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 Mexico, 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 2009, imports of poultry products increased 17.4% in volume over imports in 2008. This increase was due to lower level of prices in the U.S. and others foreign markets.

We expect that competition from U.S. exporters could increase. However, Mexican consumer acceptance of frozen poultry products is still low.

Table Eggs

We are one of the largest producers of table eggs in Mexico, with approximately 10.0% of total Mexican egg production at the end of 2009. The Mexican table egg industry is very fragmented and the principal 9 companies only account for 44.0% of total table egg production in Mexico.

Balanced Feed

The Consejo Nacional de Fabricantes de Alimento Balanceado y de la Industria Animal, A.C. ("CONAFAB"), estimates that the balanced feed production in Mexico recorded a cumulative increase of 3.5% from 2007 to 2009, where the integrated firms produce approximately 63.0% of total production for their internal use, and the remaining 37.0% is produced for sale to third parties. We estimate a market share of approximately 3.4% in our balanced 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, 2009, we had less than 1.0% of the Mexican market share in swine. U.S. producers compete in this market in Mexico.

Mexican Regulati