

Industrias Bachoco S.A.B. de C.V.
Form 20-F
June 30, 2008

**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, 2007**

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____**

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

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

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

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

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

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

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

Series B Capital Stock: 600,000,000 Shares

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

Yes No

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

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

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

Yes No

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(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 "

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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. On April 2, 2007, we changed our name 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 by laws. 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 87.7% of consolidated total assets on December 31, 2007. 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 (011) (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”). Until December 31, 2007, Mexican FRS required restatement of all financial statements to constant pesos as of the date of the most recent balance sheet presented.

Except as otherwise indicated, all data in both 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 (this “Annual Report”) have been restated in constant pesos as of December 31, 2007.

As of January 1, 2008, we have adopted the changes to “Inflationary Effects” in accordance with the new released 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 accounting principle went 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 periods after December 31, 2007, will be presented in current or nominal Mexican Pesos.

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 relate to us, together with a reconciliation of operating income, net income and total stockholders’ equity to U.S. GAAP, and a condensed statement of cash flows under U.S. GAAP, see Note 19 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 19 to the Consolidated Financial Statements.

References herein to “U.S. dollars,” “U.S.\$” or “\$” are to the lawful currency of the United States of America. References herein to “pesos” or “Ps.” are to the lawful currency of México. This Annual Report contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at an exchange rate of Ps.10.92 to U.S.\$1.00, the exchange rate on December 31, 2007.

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

Market Data

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

Forward-Looking Statements

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

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

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 19 to the Consolidated Financial Statements provides a description of the main differences between Mexican FRS and U.S. GAAP as they relate to us; a reconciliation from Mexican FRS to U.S. GAAP of total stockholders' equity, net income and operating income, and a condensed statement of cash flows under U.S. GAAP as of December 31, 2006 and 2007 and for the years ended December 31, 2005, 2006 and 2007. Our financial statements were prepared pursuant to Bulletin B-10, as amended, and Bulletin B-12, both issued by the Mexican Institute of Public Accountants.

Bulletin B-10 is designed to account for the effects of inflation on financial disclosures by requiring us to:

- restate non-monetary assets at current replacement cost or by using the Mexican National Consumer Price Index ("NCPI"), except for the biological assets (see Note 5 of the Financial Statement);
- restate non-monetary liabilities using the NCPI;
- restate the components of stockholders' equity using the NCPI; and
- recognize gains or losses in purchasing power that result from the monetary liabilities or assets that we hold.

Bulletin B-10 also requires restatement of all financial statements in constant pesos as of the date of the most recent balance sheet presented. Except as otherwise indicated, we have restated all financial information taken from the financial statements or derived from them, as explained below, in constant pesos as of December 31, 2007. Bulletin B-12 requires that the statement of changes in financial position reconcile the differences between the restated historical balance sheet and the current balance sheet. The effects of price-level restatement under Mexican FRS have not been reversed in the reconciliation to U.S. GAAP. See Note 19 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 accounting principle went 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 periods after December 31, 2007, will be stated in current or nominal Mexican Pesos.

	As of and for the year ended December 31,					2007(2)
	2003	2004	2005	2006	2007	(millions of U.S. dollars)
	(millions of constant pesos as of December 31, 2007)(1)					
Income Statement Data						
Mexican FRS:						
Net revenues	Ps. 12,616.6	Ps. 14,836.7	Ps. 15,617.7	Ps. 15,551.0	Ps. 18,219.6	1,668.9
Cost of sales	10,263.4	12,032.42	11,234.2	12,053.0	14,477.9	1,326.2
Gross profit	2,353.2	2,804.3	4,383.5	3,498.0	3,741.8	342.7
Operating income	507.2	952.4	2,378.1	1,426.4	1,496.3	137.1
Comprehensive financing income (loss)	146.8	(79.8)	(74.0)	61.4	19.1	1.8
Majority net income	633.1	788.3	1,908.4	906.2	1,270.9	116.4
Majority net income per Share(3)	1.06	1.32	3.19	1.51	2.12	0.19
Majority net income per ADS(4)	12.66	15.8	38.2	18.1	25.4	2.3
Dividends per Share(5)	0.60	0.46	0.44	0.61	0.59	0.05
Weighted average Shares outstanding (thousands)	598,738	599,260	599,694	599,571	600,000	600,000
U.S. GAAP:						
Majority net income	Ps. 590.4	Ps. 825.9	Ps. 1,893.3	Ps. 895.5	Ps. 1,261.8	116.0
Statement of Financial Position Data						
Mexican FRS:						
Cash and cash equivalents	Ps. 1,841.5	Ps. 2,608.4	Ps. 3,419.9	Ps. 3,583.9	Ps. 3,039.9	278.5
Total assets	14,577.1	15,008.6	16,530.9	17,559.2	19,116.4	1,751.0
Short-term debt(6)	68.2	111.2	100.0	9.8	58.8	5.4
Long-term debt	109.0	80.9	56.0	35.5	50.8	4.6
Stockholders' equity	11,805.2	12,132.7	13,502.7	14,102.9	15,127.2	1,385.7
U.S. GAAP:						
Stockholders' equity	11,772.7	12,144.7	13,499.0	14,053.2	15,017.7	1,381.0
Selected Operating Data						
Sales volume (thousands of tonnes):						
Chicken	655.4	733.0	773.0	773.7	837.2	
Eggs	132.1	138.1	140.6	143.4	147.8	
Swine and Others	8.5	9.1	9.6	8.9	16.1	
Balanced Feed	316.2	320.7	389.6	484.4	438.8	
Gross margin (%)	18.7%	18.9%	28.1%	22.5%	20.5%	

Operating margin (%)	4.0%	6.4%	15.2%	9.2%	8.2%
Net margin (%)	5.0%	5.3%	12.2%	5.8%	7.0%
Total employees	18,495	18,896	20,432	21,035	23,088

- (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.10.92 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 (in constant pesos as of December 31, 2007) by the weighted average Shares outstanding.
- (6) Includes notes payable to banks and current portion of long term debt.