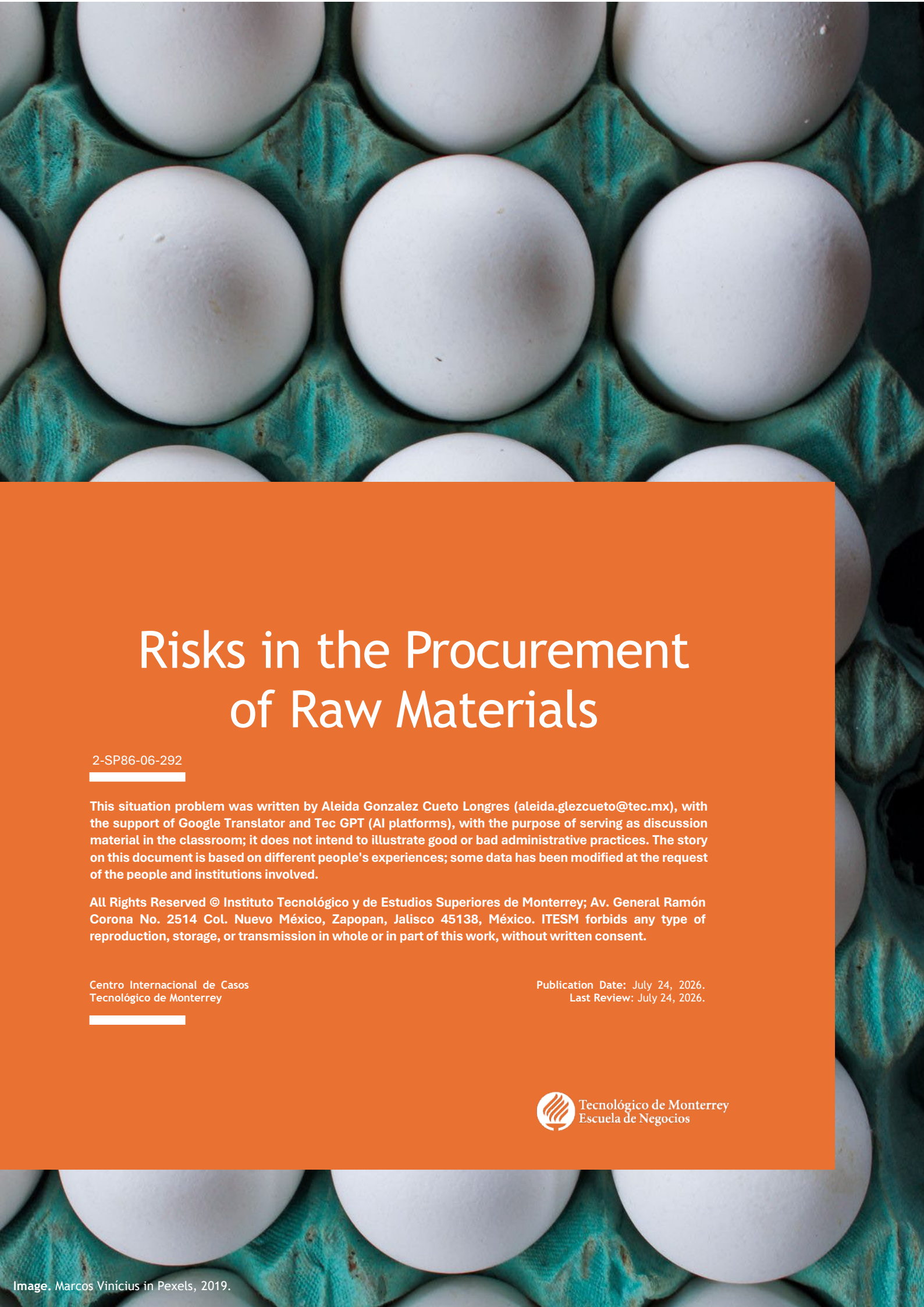




Risks in the Procurement of Raw Materials

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This situation problem was written by Aleida Gonzalez Cueto Longres (aleida.glezcueto@tec.mx), with the support of Google Translator and Tec GPT (AI platforms), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. The story on this document is based on different people's experiences; some data has been modified at the request of the people and institutions involved.

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The Company

Industrias Bachoco, S.A.B. de C.V. is the largest poultry company in Mexico and one of the most important in North America. Founded in 1952 in Hermosillo, Sonora, the company is listed on the Mexican Stock Exchange (BMV) under the ticker symbol BACHOCO B and on the New York Stock Exchange (NYSE) under the symbol IBA. It operates more than 20 production complexes throughout Mexico and has a presence in the U.S. market through its subsidiaries (Bachoco, 2024).

Its main business lines are:

- Chicken (broilers): approximately 75% of revenue.
- Eggs: approximately 15% of revenue.
- Turkey, pork, and others: approximately 10% of revenue.

Bachoco's business model is highly dependent on agricultural inputs. Animal feed (composed primarily of yellow corn and soybean meal) accounts for between 60% and 65% of the company's total cost of sales. The company annually consumes approximately 2 million metric tons of corn and 450 thousand metric tons of soybean meal to feed its poultry inventory. This makes Bachoco one of the largest industrial consumers of grains in Mexico (Bachoco, 2024).

Since corn and soybean meal are priced in U.S. dollars in international markets (primarily on the Chicago Board of Trade (CBOT/CME)), while Bachoco sells its products in Mexican pesos, the company simultaneously faces two types of market risk: raw material price risk and USD/MXN exchange rate risk (Bachoco, 2024).

Price Outlook

Corn (ZC — CBOT/CME)

During the first half of 2025, the CBOT spot price of corn fluctuated between USD \$4.00 and \$4.80 per bushel, with an average price of approximately USD \$4.35 per bushel, influenced by planting expectations in the U.S. Corn Belt, exports from Brazil and Argentina, and Chinese demand. Industry analysts estimate that prices could range between USD \$3.80 and \$6.00 per bushel over the next 12 months, depending on weather conditions and global harvest performance (USDA, 2025; Trading Economics, 2026; CME Group, 2025a).

Soybean Meal (ZM — CBOT/CME)

Soybean meal traded at approximately USD \$320–\$360 per short ton during the same period, influenced by Brazil's record soybean harvest and demand expectations in China. The expected trading range over the next 12 months is USD \$270 to \$430 per short ton (ISTA Mielke GmbH, 2025; USDA, 2025; Yahoo Finance, 2026; CME Group, 2025b).

Financial Position

In 2024, Bachoco reported consolidated net revenues of MXN 99,343.1 million and gross profit of MXN 20,450.6 million, equivalent to an approximate gross margin of 20.6% (Bachoco, 2024).

In its annual reports, Bachoco discloses that it uses derivative financial instruments to manage part of its exposure to raw material price risk, including corn and soybean meal futures contracts traded on the CBOT/CME. However, the exact percentage of production covered, and the notional amounts involved are not always publicly disclosed in detail (Bachoco, 2024, 2025).

Hedging Activities

In the notes to its financial statements, Industrias Bachoco states that its market risk management strategy includes the use of derivative instruments to lock in, in advance, part of the cost of its primary raw materials. The instruments historically used include corn (ZC) futures contracts and soybean meal (ZM) futures contracts traded on the CBOT, and, in certain periods, options on these underlying assets (Bachoco, 2024).

Unlike the metals commodities market, Mexico does not have an organized grain futures market. Therefore, quotations and transactions are conducted through the CBOT/CME, which inevitably exposes the company to USD/MXN exchange rate risk (Bachoco, 2024). The company's planning assumptions for the next production cycle are presented below.

Table. Price Assumptions for the Hedging Decision.

Input	Reference Price (Current Spot Price)	Target Price	Ceiling	Expected Price Range
Corn (ZC)	USD \$4.35/bu	USD \$4.80/bu		USD \$3.80–\$6.00/bu
Soybean Meal (ZM)	USD \$330/short ton	USD \$370/short ton		USD \$270–\$430/short ton

Source. Own elaboration, using assumptions based on the quotation units established by CME Group, 2025a, 2025b.

The Strategy

If the company were to hire a financial consultant, the consultant's mission would be to analyze the company's exposure to volatility in corn and soybean meal prices, as well as to evaluate the available alternatives for managing this risk.

Based on this assessment, the consultant would formulate a proposal that considers the financial, operational, and strategic implications of the different alternatives and supports the most appropriate recommendation for the company.

Downloadable supplementary material: [**Commodities and Market References**](#)

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