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Fomento Económico Mexicano, S.A.B. de C.V. Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Yes. Thank you, Javier. The question-and-answer session will begin at this time. [Operator Instructions]. Our first question is from Lauren Torres with HSBC. Ms. Torres please state your question.

Lauren Torres - HSBC

Yes, hi, I was hoping, you could talk a little bit more about your cost outlook at FEMSA Cerveza. Any color as far as your outlook on... particularly, on grain costs, and also in Mexico, pricing outlook if you could talk about your expectations for this quarter and potentially if you could even talk about your outlook for next year, that would be helpful. Thanks.

Javier Astaburuaga - Chief Financial Officer

Sure, on the cost outlook, as I mentioned we have been seeing that pressure on soft commodities. I would say all sorts of grains, not only grains but also crops were about kind of seeing pressure on a global basis. And I would think that that will continue into 2008. As you remember, we negotiate most of our barley needs here in Mexico, but we also import a significant amount from outside and at least for the first six months of next year, we would be still facing pressure on grains, basically barley and the corn starch also. And that's basically the cost outlook in terms of the most significant factor that would be putting pressure on our cost side. We don't think the cost of what we've been discussing with you, in terms of hedging our aluminum prices needs. So I think aluminum is going to be not putting pressure anymore on the cost side, but grains will continue to do so going forward.

And the pricing outlook as I said, we are looking an increased promotional activity for the last couple of months and we are seeing that continue into the fourth quarter of this year. So, that's kind of our take. And to talk about 2008, I think it's a little bit premature. We have been seeing both the pricing activity and the... I would say increase not being able to recover, not even general inflation but specific inflation for the beer industry in 2007 is basically a fact for the full year already. So, going into 2008, we would... I would say, think a little bit more positive going forward, but still very early to tell anything really about 2008.

Lauren Torres - HSBC

But you are seeing that activity go on into the fourth quarter?

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