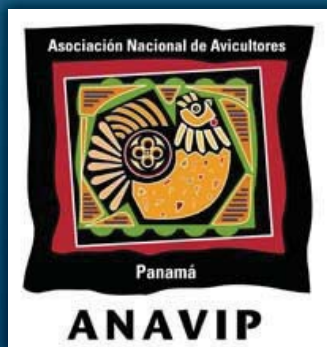




# 2013 ANNUAL REPORT

Panama Poultry Export Quota, Inc.



**PAN-PEQ**  

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Panama Poultry Export Quota, Inc

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## MISSION STATEMENT

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The Panama Poultry Export Quota, Inc. (PAN-PEQ) is a not-for-profit corporation established to manage on an open tender basis the tariff-rate quotas (TRQs) for chicken leg quarters (CLQs) granted by the Republic of Panama to the United States under the terms of the United States-Panama Trade Promotion Agreement. PAN-PEQ then distributes the proceeds of the tender process to the poultry industry associations of the Republic of Panama and the United States to fund market development, educational, scientific, and technical projects. In this manner, PAN-PEQ fosters the cooperation and integration of the poultry industries of both Panama and the United States.

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## 1. CHAIRMAN'S LETTER

I am pleased to present the first Annual Report of the Panama Poultry Export Quota, Inc. (PAN-PEQ). PAN-PEQ was formed in 2007 by the poultry industries of Panama and the United States under provisions of the U.S.-Panama Trade Promotion Agreement (TPA) to administer a tariff-rate quota (TRQ) on chicken leg quarters (CLQs) granted by Panama to the United States. The TPA was entered into force on October 31, 2012.

In June 2012, PAN-PEQ received an Export Trade Certificate of Review (ETCR) from the U.S. Department of Commerce to manage said TRQs on an open-tender basis and to distribute the proceeds of the open tenders to: 1) support the operation and administration of PAN-PEQ; and, 2) fund market development, educational, scientific, and technical projects for the benefit of the poultry industries of Panama and the United States. This unique ETCR approach aims to create a collaborative environment between industry associations and governments, and promote integration between PAN-PEQ's member associations, the Asociacion Nacional de Avicultores de Panama (ANAVIP) and the USA Poultry and Egg Export Council (USAPEEC).

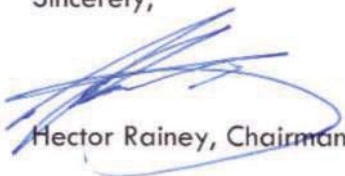
PAN-PEQ held its first annual and board meetings in Panama City, Panama, in March of 2012. PAN-PEQ's bylaws state that the chairmanship and vice-chairmanship are to be rotated on a yearly basis among its member associations. At the first meeting, the Board appointed Messrs. Martin Piffaretti from USAPEEC as Chairman, and Augusto Valderrama from ANAVIP as Vice-Chairman. Mateo Paz-Soldan and James Brosch who worked at DTB Associates, the firm acting as

Administrator, were appointed to the positions of Secretary and Treasurer, respectively. However, since the TPA did not enter into force until later that year, no open tenders were held for the TRQ corresponding to 2012. In January 2013, PAN-PEQ held its second annual and board meetings in Atlanta, GA. The Board elected Messrs. Augusto Valderrama as Chairman and Claudio Saviano from USAPEEC as Vice-Chairman. Messrs. Paz-Soldan and Brosch were confirmed as Secretary and Treasurer. As stipulated in the bylaws, the member associations appointed six directors, three for each association, for the corresponding period.

PAN-PEQ held its first auction for export of product to Panama for 2013 on December 2012, for 363 metric tons or one-half of the duty-free TRQ assigned in the TPA. A second auction was held in May 2013 for the remaining 363 metric tons. The entire TRQ amount was auctioned off and receipts for 2013 amounted to \$661,957. In October 2013, PAN-PEQ disbursed \$230,369 to fund its first capacity building project in Panama that was presented by ANAVIP to the Board.

I am committed to continuing the positive results achieved in PAN-PEQ's first year of operations and strengthening the collaboration between the poultry industry associations of Panama and the United States under my term as Chairman in 2014. I look forward to working with PAN-PEQ's board and officers to make 2014 a successful year.

Sincerely,



Hector Rainey, Chairman



## 2. DIRECTORS AND OFFICERS

Pursuant to PAN-PEQ's bylaws and the Export Trade Certificate of Review (ETCR) approved by the U.S. Department of Commerce, the members of PAN-PEQ are the national trade associations representing the poultry industries of the United States and Panama. A six-member Board of Directors appointed by these associations governs PAN-PEQ.

The Directors for 2013 were:

Mr. Augusto Valderrama, Chairman (ANAVIP)

Claudio Saviano, Vice-Chairman (USAPEEC)

Martin Piffaretti (USAPEEC)

James H. Sumner (USAPEEC)

Robert Toledano (ANAVIP)

Victor Epifanio (ANAVIP)



Officers:

In addition, to Mr. Valderrama who served as Chairman, and Mr. Saviano who served as Vice-Chairman, Mateo Paz-Soldan, and James Brosch/Violeta Gutierrez\* from DTB Associates, LLP, PAN-PEQ's Administrator, served as Secretary and Treasurer respectively.

\* After Mr. Brosch's departure from DTB Associates in mid-2013, Ms. Violeta Gutierrez was designated interim Treasurer by PAN-PEQ's board in August of 2013 and confirmed in her position in February of 2014.

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## MEMBER ASSOCIATIONS

USAPEEC is a non-profit, industry-sponsored trade organization dedicated to increasing exports of U.S. poultry and egg food products in all foreign markets. USAPEEC was founded in 1984 with a grant from the Southeastern Poultry and Egg Association, now the U.S. Poultry and Egg Association.

ANAVIP is a non-profit, industry-sponsored trade association organized under the laws of the Republic of Panama. ANAVIP is dedicated to increasing the consumption of wholesome poultry and poultry products in the Republic of Panama. ANAVIP is also dedicated to increasing exports of Panamanian poultry products in all foreign markets. ANAVIP's members account for the vast majority of all poultry producers and processors in the Republic of Panama.

### 3. OPEN-TENDER RESULTS

**Table 1**  
**PAN-PEQ Open-Tender Results for 2013**

Category	First Tranche	Second Tranche	Total
	Dec 10 - 14, 2012	May 6 - 10, 2013	
Available Quota for Auction (t)	363.00	363.00	726.00
Certificates Awarded (t)	363.00	361.20	724.20
Average Successful Bid	\$1,035.56	\$791.94	\$914.05
Lowest Successful Bid	\$837.00	\$661.38	\$661.38
YEAR RECEIPTS			\$661,957.08

\*Data compiled from PAN-PEQ’s audited financial statements and published information at [www.pan-peq.org](http://www.pan-peq.org).

The TRQ for CLQs agreed to by both governments for 2013 was 726 metric tons (MT).<sup>1</sup> The Board agreed at the November 2012 meeting to hold two open tenders to be split in equal tranches of 363 MT. As may be observed in Table 1 above, PAN-PEQ obtained excellent results for both open tenders in its first year of operations. The highest average successful bid was \$914.05/MT and the lowest successful bid \$661.38/MT. Close to 100% of the tonnage established under the TRQ for 2013 was awarded.

### 4. REPORTING AND OUTREACH

As established in PAN-PEQ’s ETCR, an important part of the corporation’s responsibilities include maintaining the governments of Panama and the United States informed of open-tender results, the dates selected for open tenders, and other key issues impacting the corporation. In addition, PAN-PEQ must comply with annual reporting requirements before the U.S. Department of Commerce and the U.S. Internal Revenue Service, and with requests for information by Panamanian or U.S. government authorities.

In February 2013, as part of PAN-PEQ’s start-up operations and outreach, PAN-PEQ through its Secretary, Mateo Paz-Soldan, made presentations to representatives of the Panamanian Ministry of Trade and Panamanian Customs as well as representatives of the ports of Balboa and Colon, which are expected to receive the bulk of U.S. CLQ imports. The purpose of these outreach efforts was to: 1) increase knowledge of, and participation, in PAN-PEQ’s open-tenders; 2) review applicable U.S. and Panamanian laws and regulations; and, 3) familiarize Panamanian authorities with PAN-PEQ’s structure and operations as well as the TRQ Certificates that it issues to open-tender winners, which allow owners of said certificates to import CLQs duty-free into Panama upon proper presentation.

<sup>1</sup> See U.S.-Panama Trade Promotion Agreement, Annex 3.3, Appendix 1, pp. 9-10, Paragraph 7(a).

## 5. DISPOSITION OF PROCEEDS

PAN-PEQ's ETCR requires that the proceeds of the open tender process are to be applied and distributed to the poultry industries of Panama and the United States on a fifty percent (50%)<sup>2</sup> basis each to fund market development, educational, scientific, and technical projects.<sup>3</sup>

### PANAMA

In October of 2013, PAN-PEQ disbursed \$230,369 to fund the first capacity building project entitled: "ANAVIP's support for improving Panama's poultry industry" (2013-2014). The project aimed to: 1) preserve Panama's sanitary status for poultry; 2) strengthen capacities to promote sound sanitary and phytosanitary (SPS) and food safety regulations; 3) improve access for small poultry producers to Panamanian government programs; and 4) obtain a better understanding of the local poultry market.

The activities funded under this project may be grouped as follows:

#### *Market Development*

1. The development of a market study for poultry and egg consumption in Panama supported by qualitative and quantitative data from different types of consumers. Qualitative data was completed in 2013. It identified perception and acceptance of consumers towards poultry and egg products, identified consumers knowledge of nutritional facts and their quality. See Figure A.

**Figure A**  
**Market study presentation**



Source: ANAVIP

2. The hiring of advisory services to improve the Panamanian poultry industry's negotiating capacity with regards to issues concerning market access, trade, and international agreements.

#### *Educational*

3. The organization of the XXIV Panama's National Poultry Summit that provided training for more than 700 poultry industry representatives on key issues such as poultry diseases, marketing, nutrition, genetics, and environmental management. See Figure C.

<sup>2</sup> United States: PAN-PEQ funding was not requested in 2013.

<sup>3</sup> See: Federal Register, Vol. 77, No. 137, July 17, 2012, p. 41971.



*Technical*

4. The hiring of a veterinary doctor to work on SPS, food safety and trade issues at the national and regional (Central American Customs Union) level and coordinate international activities to strengthen veterinary services and promote sound poultry regulations. In 2013, the veterinarian worked with government counterparts to organize operations and gather supporting documentation for recognition of Panama's status as free of Newcastle disease and Avian Influenza. This recognition aimed to gain admissibility of poultry products to the United States. The veterinarian also participated in 'train-the-trainers' programs to transfer knowledge to poultry members. See Figure B.
5. The purchase of office and other equipment needed to support veterinary programs.
6. The completion of a position paper supported by an economic analysis to make the case for including small poultry producers under the scope of potentially beneficial Panamanian legislation.

**Figure B**  
**Technical meetings**



Source: ANAVIP

**Figure C**  
**XXIV Panama's National Poultry Summit**



Source: ANAVIP

**6. AUDITED FINANCIAL STATEMENTS**

A. Statements of Financial Position / December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in bank	\$ 613,044	\$ 375,984
<b>TOTAL ASSETS</b>	<u>\$ 613,044</u>	<u>\$ 375,984</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Deferred auction revenue	\$ 332,299	\$ 375,909
Accounts payable and accrued expenses	<u>1,555</u>	<u>81,693</u>
<b>Total Current Liabilities</b>	<u>333,854</u>	<u>457,602</u>
<b>Net Assets (Deficit)</b>		
Temporarily Restricted Funds		
Designated by the Board for an uncertain tax position (see Note 8)	67,520	-
Project Funds-United States	221,019	(40,809)
Project Funds-Panama	<u>(9,350)</u>	<u>(40,809)</u>
<b>Total Net Assets (Deficit)</b>	<u>279,189</u>	<u>(81,618)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 613,044</u>	<u>\$ 375,984</u>

\*Information in this annual report is compiled from audited financial statements.

# PAN-PEQ

Panama Poultry Export Quota, Inc

## B. Statement of Activities and Changes in Net Assets / Years ended December 31, 2013 and 2012, Including Operating Expenses

### 2013

	General Operating Fund	Temporarily Restricted Funds			Total
		Board Designated Funds	United States	Panama	
<b>Revenues</b>					
Auction revenues	\$ 661,957	\$ -	\$ -	\$ -	\$ 661,957
Membership fees	13,239	-	-	-	13,239
<b>Total Revenues Collected</b>	<u>675,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,196</u>
<b>Expenses Paid</b>					
Accounting and auditing	4,950	-	-	-	4,950
Bank fees	720	-	-	-	720
Consulting and management fees	55,310	-	-	-	55,310
Legal fees	10,611	-	-	-	10,611
Licenses and filing fees	470	-	-	-	470
Meetings	61	-	-	-	61
Office supplies	30	-	-	-	30
Postage and delivery	880	-	-	-	880
Printing and reproduction	574	-	-	-	574
Project costs	-	-	-	230,369	230,369
Publications	4,693	-	-	-	4,693
Telephone	59	-	-	-	59
Travel and entertainment	4,000	-	-	-	4,000
Website expenses	1,662	-	-	-	1,662
<b>Total Expenses Paid</b>	<u>84,020</u>	<u>-</u>	<u>-</u>	<u>230,369</u>	<u>314,389</u>
Change in Net Assets	591,176	-	-	(230,369)	360,807
Transfer from general to temporarily restricted funds	(591,176)	67,520	261,828	261,828	-
Net Change After Transfer	-	67,520	261,828	31,459	360,807
Net Assets, Beginning of Year	-	-	(40,809)	(40,809)	(81,618)
<b>Net Assets, End of Year</b>	<u>\$ -</u>	<u>\$ 67,520</u>	<u>\$ 221,019</u>	<u>\$ (9,350)</u>	<u>\$ 279,189</u>

**2012**

	General Operating Fund	Temporarily Restricted Funds			Total
		Board Designated Funds	United States	Panama	
<b>Revenues</b>					
Auction revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Membership fees	-	-	-	-	-
<b>Total Revenues Collected</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses Paid</b>					
Accounting and auditing	-	-	-	-	-
Bank fees	215	-	-	-	215
Consulting and management fees	76,693	-	-	-	76,693
Legal fees	-	-	-	-	-
Licenses and filing fees	-	-	-	-	-
Meetings	-	-	-	-	-
Office supplies	-	-	-	-	-
Postage and delivery	-	-	-	-	-
Printing and reproduction	1,350	-	-	-	1,350
Project costs	-	-	-	-	-
Publications	-	-	-	-	-
Telephone	45	-	-	-	45
Travel and entertainment	-	-	-	-	-
Website expenses	3,315	-	-	-	3,315
<b>Total Expenses Paid</b>	<b>81,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,618</b>
Change in Net Assets	(81,618)	-	-	-	(81,618)
Transfer from general to temporarily restricted funds	81,618	-	(40,809)	(40,809)	-
Net Change After Transfer	-	-	(40,809)	(40,809)	(81,618)
Net Assets, Beginning of Year	-	-	-	-	-
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (40,809)</b>	<b>\$ (40,809)</b>	<b>\$ (81,618)</b>

\*Information in this annual report is compiled from PAN-PEQ's audited financial statements.



**PAN-PEQ**  
Panama Poultry Export Quota, Inc

C. Statements of Cash Flows / Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 360,807	\$ (81,618)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase (decrease) in:		
Deferred auction income	(43,611)	375,909
Accounts payable and accrued expenses	<u>(80,136)</u>	<u>81,693</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	237,060	375,984
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>375,984</u>	<u>-</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 613,044</u>	<u>\$ 375,984</u>

\*Information in this annual report is compiled from PAN-PEQ's audited financial statements.

**PAN-PEQ**  

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