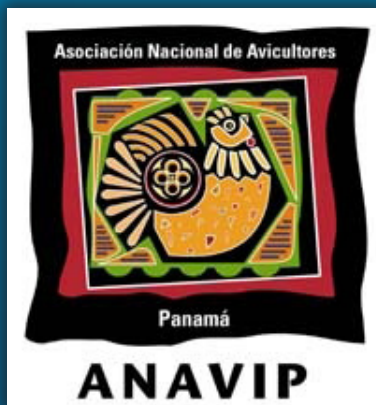




2014 ANNUAL REPORT

Panama Poultry Export Quota, Inc.



PAN-PEQ

Panama Poultry Export Quota, Inc

Panama Poultry Export Quota, Inc. c/o DTB Associates, LLP
1700 Pennsylvania Ave., N.W. – Suite 200 Washington, D.C. 20006
Tel: 202-684-2512 Fax: 202-684-2233
www.pan-peq.org

MISSION STATEMENT

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.

* PAN-PEQ's mission was established under the terms of an Export Trade Certificate of Review, issued by the U.S. Department of Commerce on June 25, 2012, and published in the Federal Register on July 17, 2012/ Vol. 77, No. 137.

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1. CHAIRMAN'S LETTER

The Panama Poultry Export Quota (PAN-PEQ), had its second year of operations in 2014. Its first auction for export of product to Panama was held on December 2013. 400 metric tons, or one-half of the duty-free tariff-rate quota (TRQ) assigned in the U.S. - Panama Trade Promotion Agreement (TPA) were auctioned off. A second auction was held in May 2014 for the remaining 399 metric tons. Close to 100% of the TRQ amount was auctioned and receipts for 2014 amounted to \$636,400. Auction revenues experienced a slight decrease of 3.9% from 2013.

In pursuit of its mission, PAN-PEQ funded projects in 2014 for a total of \$119,500 (see Figure A) to further market development, educational, scientific, and technical projects and activities benefitting the poultry industries of Panama and the United States. These activities included:

- ❖ Educational and technical knowledge transfer through the organization of Panama's XXVth National Poultry Summit (Panama); and
- ❖ Market development interactive tools to help speed up poultry and poultry product sales through timely information (United States).

PAN-PEQ held its annual and board meetings in Buenaventura, Panama, in February 2014.

At these meetings, the Board appointed Messrs. Hector Rainey from USAPEEC as Chairman, and Victor Epifanio from ANAVIP as Vice-Chairman pursuant to PAN-PEQ's bylaws which state that the chairmanship and vice-chairmanship are to be rotated on a yearly basis among its member associations. Mr. Mateo Paz-Soldan and Ms. Violeta Gutierrez from DTB Associates, the firm acting as Administrator, were confirmed as Secretary and Treasurer, respectively. As further stipulated in the bylaws, the member associations appointed six directors, three for each association, for the period 2014-2015.

Under my term as Chairman in 2015, I am committed to keeping up the good work that PAN-PEQ has achieved in its first two years of operations, and to strengthening the collaboration between the poultry industry associations of Panama and the United States. I look forward to working with the board and officers to make 2015 another very successful year for PAN-PEQ.

Sincerely,



Victor Epifanio, Chairman

Figure A
PAN-PEQ Project Funding for 2014
(US\$)



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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.

DIRECTORS FOR 2014:



Hector Rainey
Chairman
USAPEEC – United States



Victor Epifanio
Vice-Chairman
ANAVIP - Panama



Augusto Valderrama
Director
ANAVIP - Panama



Robert Toledano
Director
ANAVIP - Panama



Martin Piffaretti
Director
USAPEEC – United States



James Sumner
Director
USAPEEC – United States

OFFICERS FOR 2014:

In addition, to Mr. Rainey who served as Chairman, and Mr. Epifanio who served as Vice-Chairman, Mateo Paz-Soldan, and Violeta Gutierrez from DTB Associates, LLP, PAN-PEQ's Administrator, served as Secretary and Treasurer respectively.

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Mateo Paz-Soldan
Secretary
DTB Associates, LLP



Violeta Gutierrez
Treasurer
DTB Associates, LLP

3. OPEN-TENDER PROCESS AND RESULTS

Under the terms of the ETCR, PAN-PEQ is tasked with managing the tariff-rate quota (TRQ) for chicken leg quarters (CLQs) established for Panama on a yearly basis, as stipulated in the US-Panama Trade Promotion Agreement.^[1] PAN-PEQ administers this TRQ through an open tender process, or auction, with certificates for duty-free shipments of CLQs awarded to the highest bidders, pursuant to ETCR requirements. Notice of each open tender process is published in advance both in the U.S. and in Panama. Bid specifications and contents are included in the notice and also published on the PAN-PEQ website. Once the open tender closes, results are audited and bidders are notified of the disposition of their bids. The complete results are sent to the governments and consolidated results are made available to the member poultry associations, and to the public on the PAN-PEQ website. Open tender proceeds are then maintained in an interest-bearing bank account until funding requests of participating member associations are approved by the PAN-PEQ Board (see Section 4).

Table 1
PAN-PEQ Open-Tender Results for 2014

Category	First Tranche	Second Tranche	Total
	Dec 2 - 6, 2013	May 12 -16, 2014	
Available Quota for Auction (MT)	400.00	399.00	799.00
Certificates Awarded (MT)	400.00	387.17	787.17
Average Successful Bid (\$/MT)	\$830.75	\$785.56	\$808.52
Lowest Successful Bid (\$/MT)	\$794.00	\$750.00	\$750.00
Auction Receipts (\$)	\$332,298.20	\$304,143.80	\$636,442.00

*Data compiled from PAN-PEQ's audited financial statements and published information at www.pan-peq.org.

¹ See General Notes and Appendix 1 – Chicken Leg Quarters (Bone-in), Annex 3.3-PA-Notes-9 and 10 of the text of the US-Panama Trade Promotion Agreement.

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The TRQ for CLQs agreed to by both governments for 2014 was 799 metric tons (MT).^[2] The Board agreed at the August 2013 meeting to hold two open tenders to be split in two tranches of 400 MT and 399 MT respectively. Total open tender revenues, however, decreased slightly in 3.9% from 2013. As may be observed in Table 1 above, PAN-PEQ obtained excellent results for both open tenders in its second year of operations. The highest average successful bid was \$830.75/MT and the lowest successful bid \$750.00/MT. Close to 100% (98.52%) of the tonnage established under the TRQ for 2014 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.

On behalf of PAN-PEQ, Mr. Paz-Soldan and Ms. Gutierrez of the PAN-PEQ Administration met with Panamanian government authorities and officers in February and in November 2014. The latter visit to Panama included attendance of ANAVIP's 40th anniversary celebrations and the Panamanian National Poultry Congress. The purpose of the meetings with representatives of Panama's new government was to provide an overview of PAN-PEQ's formation and performance of operations to date, including the TRQ certificate issuance process and port operations, as well as up-to-date open tender results and project funding results. Feedback from incoming Panamanian authorities on PAN-PEQ's operations was positive on both occasions.

Mr. Paz-Soldan also gave a presentation regarding PAN-PEQ's operations at USAPEEC's annual meeting in Big Sky, MT, in June 2014, which resulted in increased U.S. industry knowledge of PAN-PEQ, and was intended to increase potential participation in its auction process.

² 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%) basis each to fund market development, educational, scientific, and technical projects.³ After paying operating expenses at the end of each year, the Administrator distributes the remaining proceeds to fund capacity building projects in the abovementioned categories.

PANAMA

In September of 2014, PAN-PEQ disbursed \$67,500 to fund the following project: "Organization of Panama's XXVth National Poultry Summit." This project aimed to educate poultry producers and Panamanian government authorities in modern marketing and production techniques, as well as technologies and equipment necessary to strengthen production processes.

The activity funded under this project is the following:

Educational and Technical

1. The organization of Panama's XXVth National Poultry Summit provided training for more than 900 poultry industry representatives. This represented an increase of almost 30% from the 2013 summit. The summit focused on key issues such as poultry diseases, marketing, nutrition, genetics, hatching and avian diseases. International speakers from Argentina, Brazil, Canada, Colombia, Costa Rica, Chile, Spain, the Netherlands, the U.K., Mexico, Peru, and the U.S. presented on 37 conferences/topics, an increase of 60% from 2013. See Figure B.

Figure B
Panama's XXVth National Poultry Summit



Source: ANAVIP

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

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UNITED STATES

In September of 2014, PAN-PEQ disbursed \$52,000 to fund its first U.S. project entitled: “USAPEEC Mobile Friendly Website & Statistical Databases.” This project aimed to create a mobile friendly website with interactive tools that facilitate trade information for the U.S. poultry industry, thus, helping increase export sales.

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

Market Development

1. A mobile friendly website for USAPEEC was created to improve data access such as trade regulations, statistics, importer contacts, etc., by USAPEEC members. This tool is especially helpful to those members that are usually on the field and can speed up sales through well-informed decision making.
2. A poultry trade statistics platform, including additional statistics for egg products and table eggs, was upgraded for increased access by USAPEEC members. See Figure C.

Figure C
USAPEEC mobile website launched

USAPEEC mobile website launched

USAPEEC's mobile-friendly website was launched last week.

As reported in last week's MondayLine, USAPEEC's website has been updated to be accessed on hand-held devices, which includes the trade regulation database.

The upgrades were funded by the Panama Poultry Export Quota Inc. (PAN-PEQ), which uses quota auction proceeds to fund certain USAPEEC projects.

Members will have access to the USAPEEC website via their mobile devices, where they can find information on trade regulations, statistics, importer contacts, and more while on the go. In addition, importers around the world will be able to access purchase information for U.S. poultry and eggs more readily.

USAPEEC contracted with Bryant-Christie Inc. to convert the website into a mobile-friendly format and to update the existing trade regulation database will also be mobile. The database has been upgraded to include information on egg products along with the existing information for chicken and turkey.

Members will have access to egg information in the "Statistics" category of the database, which includes charts and graphs already established. This data will be updated and will include data for egg products and table eggs and egg products.

www.usapeec.org , ha lanzado una nueva versión de su sitio web para dispositivos móviles, donde podrán encontrar información sobre las regulaciones comerciales, estadísticas, contactos de importadores, entre otros.

Además, los importadores de todo el mundo podrán acceder a la información del mercado de carne de ave y huevo de Estados Unidos más fácilmente.

Así mismo también podrán encontrar información sobre los productos de huevo, pollo y el pavo.

Esta nueva versión fue financiada por PAN-PEQ, quien utiliza un porcentaje de sus ingresos de las subastas para financiar determinados proyectos USAPEEC.

Aprovechamos para informar que a partir del mes de Mayo, podrán tener acceso a la nueva imagen de la página www.usapeec-latam.org.

Sources: USAPEEC, USAPEEC-Latin America.

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Panama Poultry Export Quota, Inc

6. AUDITED FINANCIAL STATEMENTS

A. Statements of Financial Position / December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash in bank	\$ 1,044,454	\$ 613,044
TOTAL ASSETS	<u>\$ 1,044,454</u>	<u>\$ 613,044</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred auction revenue	\$ 327,728	\$ 332,299
Accounts payable and accrued expenses	<u>1,849</u>	<u>1,556</u>
Total Current Liabilities	<u>329,577</u>	<u>333,855</u>
Net Assets		
Temporarily Restricted Funds		
Designated by the Board for an uncertain tax position (see Note 8)	-	67,520
Project Funds-United States	480,373	221,019
Project Funds-Panama	<u>234,504</u>	<u>(9,350)</u>
Total Net Assets	<u>714,877</u>	<u>279,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,044,454</u>	<u>\$ 613,044</u>

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

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B. Statement of Activities and Changes in Net Assets / Years ended December 31, 2014 and 2013, Including Operating Expenses

2014

	General Operating Fund	Temporarily Restricted Funds			Total
		Board Designated Funds	United States	Panama	
Revenues					
Auction revenues	\$ 636,442	\$ -	\$ -	\$ -	\$ 636,442
Membership fees	12,727	-	-	-	12,727
Total Revenues Collected	<u>649,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,169</u>
Expenses Paid					
Accounting and auditing	5,631	-	-	-	5,631
Bank fees	962	-	-	-	962
Consulting and management fees	55,971	-	-	-	55,971
Legal fees	5,706	-	-	-	5,706
Licenses and filing fees	230	-	-	-	230
Meetings	10,034	-	-	-	10,034
Office supplies	-	-	-	-	-
Postage and delivery	632	-	-	-	632
Printing and reproduction	-	-	-	-	-
Project costs	-	-	52,000	67,500	119,500
Publications	3,964	-	-	-	3,964
Telephone	62	-	-	-	62
Travel and entertainment	9,114	-	-	-	9,114
Website expenses	1,675	-	-	-	1,675
Total Expenses Paid	<u>93,981</u>	<u>-</u>	<u>52,000</u>	<u>67,500</u>	<u>213,481</u>
Change in Net Assets	555,188	-	(52,000)	(67,500)	435,688
Transfer from general to temporarily restricted funds	<u>(555,188)</u>	<u>(67,520)</u>	<u>311,354</u>	<u>311,354</u>	<u>-</u>
Net Change After Transfer	-	(67,520)	259,354	243,854	435,688
Net Assets, Beginning of Year	-	67,520	221,019	(9,350)	279,189
Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,373</u>	<u>\$ 234,504</u>	<u>\$ 714,877</u>

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

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2013

	General Operating Fund	Temporarily Restricted Funds			Total
		Board Designated Funds	United States	Panama	
Revenues					
Auction revenues	\$ 665,957	\$ -	\$ -	\$ -	\$ 665,957
Membership fees	13,239	-	-	-	13,239
Total Revenues Collected	<u>679,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,196</u>
Expenses Paid					
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
Total Expenses Paid	<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)
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 67,520</u>	<u>\$ 221,019</u>	<u>\$ (9,350)</u>	<u>\$ 279,189</u>

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

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Panama Poultry Export Quota, Inc

C. Statements of Cash Flows / Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 435,688	\$ 360,807
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase (decrease) in:		
Deferred auction income	(4,571)	(43,611)
Accounts payable and accrued expenses	<u>293</u>	<u>(80,136)</u>
Net Cash Provided (Used) by Operating Activities	431,410	237,060
Cash and Cash Equivalents at Beginning of Year	<u>613,044</u>	<u>375,984</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,044,454</u>	<u>\$ 613,044</u>

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

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